



Australian Government
Department of Industry

COST RECOVERY IMPACT STATEMENT

National Offshore Petroleum Titles Administrator

1 November 2013 – 30 June 2016

Table of Contents

1. OVERVIEW

- 1.1 Purpose
- 1.2 Background

2. POLICY AND LEGAL AUTHORITY TO COST RECOVER

- 2.1 Policy authority to cost recover
- 2.2 Legal authority to impose cost recovery charges

3. COST RECOVERY MODEL

- 3.1 NOPTA's organisational structure
- 3.2 Key activity components
- 3.3 Activity level assumptions
- 3.4 Costs to be included in cost recovery charges
- 3.5 Cost recovery charges and revenue

4. STAKEHOLDER ENGAGEMENT

5. FINANCIAL INFORMATION

6. PERFORMANCE MONITORING

7. CERTIFICATION

1. OVERVIEW

1.1 Purpose

The purpose of this Cost Recovery Impact Statement (CRIS) is to demonstrate how the National Offshore Petroleum Titles Administrator (NOPTA) recovers its costs associated with Titles Administration in accordance with the principles and requirements of the Australian Government Cost Recovery Guidelines¹.

Since it was established on 1 January 2012, NOPTA has been operating under transitional cost recovery arrangements as set out in the [Cost Recovery Impact Statement January 2012 to October 2013](#). The transitional Cost Recovery Impact Statement (CRIS) provided for the continuation of the same charging structure that existed prior to 1 January 2012 with the ATA levy replacing the Annual Fees that were previously in place. It was considered appropriate to keep the ATA levy structure similar to the previous Annual Fee regime in order to minimise confusion to industry and facilitate a smooth hand over during the transition period.

A revised CRIS with new charging arrangements commences on 1 November 2013. The CRIS applies until 30 June 2016, with NOPTA's cost recovery arrangements reviewed from July 2015.

1.2 Background

NOPTA was established on 1 January 2012 as a branch of the Resources Division in the then Department of Resources, Energy and Tourism (RET).

NOPTA's establishment followed the Productivity Commission Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector (April 2009) which identified significant unnecessary regulatory burden on the sector.

The Productivity Commission Review made 30 recommendations including the establishment of a national offshore petroleum regulator in Commonwealth waters and the implementation of regulatory best practice.

NOPTA's key functions in Commonwealth waters are to:

- manage the collection, management and release of data, titles administration, approval and registration of transfers and dealings;
- oversee the keeping of the registers of petroleum and greenhouse gas storage titles; and
- provide information, assessments, analysis, reports, advice and recommendations to members of the Joint Authorities and the 'responsible Commonwealth Minister' in relation to the performance of those Ministers' functions and the exercise of their powers.

¹ The Australian Government Cost Recovery Guidelines are available on the Department of Finance website at www.finance.gov.au

The role of the Joint Authorities is to make key decisions regarding offshore petroleum titles.

The States and the Northern Territory maintain a titles administrator role in State/NT waters.

2. POLICY AND LEGAL AUTHORITY TO COST RECOVER

2.1 Policy authority to cost recover

The Productivity Commission's review of regulatory burden on the upstream petroleum sector recommended that a full cost recovery model be used to fund the new regulatory agency. It also recommended that the new regulatory agency should be subject to regular review and appropriate governance arrangements and that only appropriately defined costs associated with regulating the upstream petroleum sector should be recovered.

The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA) and associated Acts were passed through Parliament in September 2011 and included measures to impose cost-recovery levies on holders of offshore petroleum titles in respect of environmental approvals and titles administration under the OPGGSA to fund the new regulatory activities of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) and NOPTA. Government has determined that NOPTA should operate on a full cost recovery basis.

2.2 Legal authority to impose cost recovery charges

There are currently a number of different fees and levies in place under OPGGSA and associated Acts. These are divided into the Annual Titles Administration Levy and miscellaneous fees, including application fees.

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*. These amounts are prescribed in the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004*.

The legal authority to prescribe miscellaneous fees, including application fees, can be found in Part 2, Part 4, Part 6 and Part 7 of the OPGGSA.

NOPTA is fully funded through the cost recovery charges imposed under these provisions.

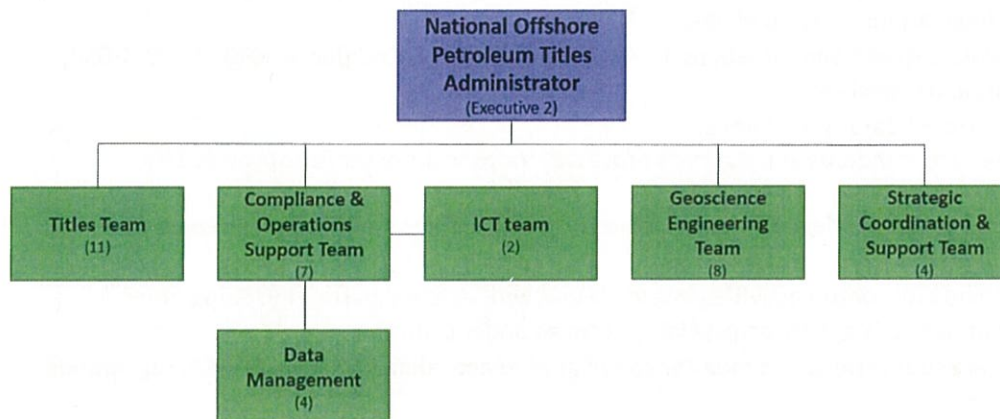
The Registration Fees which were previously charged under the *Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Act 2006* (the *Registration Fees Act*) will cease from 1 November 2013 when the Registration Fees Act is repealed. The Registration Fees for transfers and dealings will be replaced with an application fee.

3. COST RECOVERY MODEL

3.1 NOPTA's activities

NOPTA comprises five business units which carry out the activities required under the legislation. The organisational structure of NOPTA is depicted in Figure 1.

Figure 1 Organisational structure



Titles

The Titles team has three core functions:

1. In accordance with the Minister's Statement of Expectations, provide guidance to industry on matters pertaining to compliance with the offshore petroleum regulatory framework;
2. To act as the point of contact between industry and the Joint Authority and/or Titles Administrator on offshore petroleum and greenhouse gas storage titles applications;
3. To undertake day to day administration of offshore petroleum and greenhouse gas storage titles in accordance with the Act and Regulations;

These functions involve:

- maintaining a publicly available register of offshore petroleum and greenhouse gas titles;
- working with the other teams within NOPTA to provide information, application assessments, analysis, reports and advice to the Joint Authority and/or the Titles Administrator; and
- Implementing offshore petroleum and greenhouse gas title related decisions.

Compliance & Operations Support

The Compliance and Operations Support function has two core functions:

1. Data Management

This involves developing and implementing business processes to ensure NOPTA manages petroleum data in compliance with the Resource Management and Administration Regulations. Key aspects of this role include:

- Develop, document and maintain accurate and comprehensive records of the submission of reports, data and petroleum mining samples as required by the OPGGSA;
- Evaluate data submissions and monitor quality and compliance in accordance to the OPGGSA, Regulations and guidelines;
- Approve data exports and variations to data submission in accordance with the OPGGSA, Regulations and Guidelines;
- Quality control of data submissions;
- Develop service standards and business processes for repository services provided by Geoscience Australia;
- Remitting data to Geoscience Australia which physically stores it until data is released publicly;
- Coordinate quality control activities internally and with external parties including other government agencies and those providing services under contract;
- Evaluate data submissions and monitor compliance in accordance to the OPGGSA, regulations and guidelines;
- Identify areas of non-compliance with submission and reporting compliance and escalate these as appropriate in conjunction with other members of the team and the Titles team.

2. Compliance related to titles and licences:

This involves developing, implement and maintain oversight of a compliance framework to support NOPTA's internal and external obligations. The compliance function includes:

- Monitor and maintain appropriate records of titleholders' compliance with the regulatory regime, including title conditions, reporting and other requirements as specified in the OPGGSA, associated legislation and regulations;
- Identify instances of major non-compliance and liaise with those titleholders to enforce compliance in accordance with the regulatory regime;
- Internal quality assurance: develop quality management systems including process documentation for NOPTA to deliver standards accreditation and quantified business improvement objectives;
- Legal function e.g. develop and publish guidance material to industry on the application and interpretation of legislation and associated regulations by NOPTA, manage delegations of function and powers of the Titles Administrator;
- External compliance: this function involves identifying key risk areas and determining how well title holders are complying with their obligations;
- Conduct financial assessments for acreage release process and application processes;
- Identify issues within current legislation that impact upon the operations of NOPTA or

create excessive regulatory burden on industry and drive changes in conjunction with Offshore Resources Branch within the Department.

Information & Communication Technology

The Information and Communications Technology team reports directly to the Compliance & Operations Support team. Its core functions are:

- Implementing NOPTA's ICT strategy;
- Developing, implementing and monitoring service levels with external ICT providers and managing the ongoing relationship with these providers;
- Facilitating the development and administration of NOPTA's client and internal business tools (including the National Electronic Approvals Tracking System, Collaboration and primary office and business software) for the purpose of improving productivity, monitoring and reporting.

Geoscience engineering

This business unit facilitates the exploration and development of Australia's offshore petroleum resources through the provision of high quality geoscience and engineering advice in relation to Titles administration, acreage release and resource management. The business unit has three main roles:

1. Providing geotechnical analysis and advice on the assessment of applications for titles, assessment of Field Development Plans and other general technical support (associated with the Titles Function and Data Management quality);
2. Providing geotechnical analysis and advice on the assessment of Acreage Release bids (directly associated with the Titles Function);
3. Strategic Resources Management:
 - i. Reviewing Australian offshore resources for oil and gas, including how resources are being used, utilised and managed for Australian purposes
 - ii. Monitoring activities of companies;
 - iii. Assisting the Compliance team e.g. assessing the impact of a certain drilling activity on the Australian territory, or the impact of not developing a certain resource;
 - iv. Assessing the rate of recoveries.

The business unit also provides support to the Compliance and Operations Support team in relation to the Data Management function by assessing the quality compliance of the data content.

Strategic Coordination & Support

This business unit undertakes:

- Financial management of NOPTA's revenue and expenses, including NOPTA's Special Account;
- Coordination role between NOPTA and the Department of Industry and between branches of NOPTA;
- Human Resources functions including Occupational Health & Safety process;
- Manage operations to meet NOPTA's equipment, property and organisational needs.

3.2 Key products

The list of core products carried out by NOPTA and a brief description of them is shown below:

- **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.
- **Exploration Permit Renewal:** Receipt of application, 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.
Surrenders: Receipt of application, assessment of application (including 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.
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.
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.
- **Suspension and extension; variation; exemption:** Receipt of application, assessment of suspension and extension, variation and exemption applications relating to conditions of titles (including work program conditions), implement decision (including updating register), dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.
- **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.

- Retention Lease:** 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.

Retention Lease 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.
- Production Licence:** 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.

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.

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.
- 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.
- 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.

- **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.
- **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.

3.3 Product level assumptions

The revenue forecasts developed for this CRIS are based on levels of activity over the previous 12 months (July 2012 to June 2013). The first 6 months of NOPTA's operations (January 2012 to June 2012) was characterised by a large back log of applications resulting from the transition from the previous regime and is not considered representative of ongoing activity levels. The ATA Levy forms over 90% of NOPTA's revenue. As this is collected annually for every permit, it also provides a relatively certain and stable revenue stream.

Table 1: Product demand forecast, November 2013 to June 2014¹

Product		Number of titles	Number of blocks	Number of kilometres
Exploration Permit	Levy	152		
Retention Lease	Levy	36	130	
Production Licence	Levy	55	184	
Infrastructure Licence	Levy	2		
Pipeline Licence	Levy	48		2717
Acreage Release	Fee	30		
Suspension and extension; variation application; exemption	Fee	66		
Declaration of location	Fee	16		
Special Prospecting Authority (SPA) and Access Authority (AA)	Fee	30		
Transfer	Fee	7		
Dealing	Fee	62		
Other fees	Similar level to period Jul12-Jun13			

¹ Demand is seasonal in nature for some products and straight line for others.

Similarly cost estimates are also based on the previous 12 months of operations (July 2012 to June 2013). NOPTA was still in the formative stages in its first 6 months of operations, for example, staff were being recruited and office space secured, hence the last 12 months will be more indicative of NOPTA's future costs. In addition ongoing costs related to the National Offshore Petroleum Data and Core Repository (NOPDCR) will need to be factored into NOPTA's

budget from 1 November 2013. As NOPTA was not initially funded for this responsibility one off budget funding was provided for last financial year.

NOPTA's costs are largely driven by salaries and fixed contractual agreements and hence considered relatively stable.

NOPDCR

The OPGGSA requires petroleum mining samples (cores, cuttings and gas/fluid samples), reports and data (drilling reports, seismic data, analysis reports etc) acquired for a given offshore activity are lodged with NOPTA. The NOPDCR has been established to store and manage these data whilst under the provisions of confidentiality and is a collaborative project between NOPTA, Geoscience Australia (GA) and the Geological Survey of Western Australia (GSWA). GA will undertake the overall management responsibility of the NOPDCR, however a Steering Committee will maintain oversight of the project.

A data management review was undertaken by NOPTA in May 2012 and the NOPDCR was identified as the best value for money option. GA and GSWA have been managing data and physical samples by warehousing and maintaining access as required prior to the formation of NOPTA. They have experienced personnel and established systems and a long history of successfully providing data management services to support the requirements of the Acts. In addition alternative arrangements would incur substantial infrastructure costs. The cost to NOPTA is \$1,660,000 per financial year, as detailed in table 2.

Table 2: Annual operating costs for the NOPDCR system

Task	Annual operating costs for staff, resources and infrastructure
Management of confidential OPGGSA Data and 1/3 Physical Samples in the Canberra Repository by GA	
<i>Net increase in salary, including Compliance Costs</i>	\$443,000
<i>Net increase in Operational Costs</i>	\$556,000
Management of confidential OPGGSA Data sourced WA Physical Samples in the Perth Repository by GSWA	
<i>Salary and Overhead Costs</i>	\$425,000
<i>Operational Costs</i>	\$104,000
Management of confidential OPGGSA Data sourced NON-WA Physical Samples in the Perth Repository by GSWA	
<i>Salary and Overhead Costs, plus Operational Costs</i>	\$132,000
Total	\$1,660,000

3.4 Costs to be included in cost recovery charges

Figures are provided for the forecast year 2013/14 only for the detailed description of how we have allocated costs set out in the tables below. The same process was used to allocate costs for 2014/15 and 2015/16.

Direct costs

Information from NOPTA's finance system permitted costs to be allocated to business units where the direct nature of the costs allowed. These direct costs are employee expenses (as prescribed under the relevant enterprise agreement, currently this is the DRET Enterprise Agreement), gazettal expenses and the NOPTA, GA and WA DMP Collaborative Agreement (related to the NOPDCR).

The direct costs of business units are allocated to key products using the percentages of effort levels invested in each key activity by each business unit. Specifically, direct costs by business unit are multiplied by the % effort levels (see Table 3) to determine direct cost by key activity.

Indirect costs

Indirect costs are costs not directly attributable to business units (due to their nature and the level of traceability) such as property expenses, depreciation, legal costs, and ICT.

NOPTA's capital costs include depreciation of \$123,000. This is an indirect cost that is allocated to business units using headcount (as a proxy of capital resource utilised by each team). These costs are then allocated to key activities based on estimates of effort levels by business units.

These indirect costs are allocated to business units using cost drivers as shown in Table 3.

Table 3: Indirect cost allocation drivers

Indirect Expense	Allocation drivers to business units
Employee	% of Total Direct Costs
ICT	Headcount (as each person having a PC)
Property	Headcount (as a proxy of consumption of office-related expenditure)
Office	Headcount
Travel ¹	Headcount
Legal	% of Total Direct Costs
Consultants	% of Total Direct Costs

¹ Travel cannot be allocated to activities or products. Staff often travel for general NOPTA business, cross cutting projects, general oil and gas industry conferences etc. It would be impossible to allocate these to direct costs.

Table 4: Allocation of Effort to Products

Allocation of Effort to Products

Product	Titles	Compliance	Data Mgmt	GET
Acreage Release	17%	8%	-	1%
Petroleum Exploration Permit	13%	18%	41%	30%
Suspension and extension; variation; exemption	27%	7%	-	1%
Declaration of location	4%	7%	-	6%
Retention Lease	5%	13%	20%	16%
Production Licence	4%	11%	39%	39%
Infrastructure Licence	2%	7%	-	2%
Pipeline Licence	3%	9%	-	3%
Special Prospecting Authority (SPA); Access Authority (AA)	10%	9%	-	1%
Transfers and Dealings	15%	11%	-	1%
Total	100%	100%	100%	100%

Total cost allocation by activity

The following table 5 shows how NOPTA costs are allocated to key products.

Table 5: Cost estimates by activity component 2013/14¹, \$m

Product Component	Direct Costs	Indirect Costs	Total
Acreage Release	0.141	0.199	0.340
Petroleum Exploration Permit	0.983	0.980	1.963
Suspension and extension; variation; exemption	0.219	0.285	0.504
Declaration of location	0.081	0.092	0.173
Retention Lease	0.482	0.485	0.967
Production Licence	0.947	0.838	1.785
Infrastructure Licence	0.026	0.032	0.059
Pipeline Licence	0.049	0.083	0.132
Special Prospecting Authority (SPA); Access Authority (AA)	0.089	0.149	0.238
Transfers and Dealings	0.135	0.233	0.368
Total	3.152	3.377	6.529

¹ 2013/14 is not a full financial year as the CRIS begins 1 November 2013.

As can be seen in Table 6, costs associated with some activities are being over-recovered while other activities are being under-recovered.

Table 6: Level of cost recovery by activity based on current fees and levies 2013/14¹, \$m

Activity Component	Total Costs	Levies	Fees	Total Revenue	% Recovery
Acreage Release	0.34	-	0.15	0.15	44%
Petroleum Exploration Permit	1.96	0.36	0.03	0.39	20%
Suspension and extension; variation; exemption	0.50	-	-	-	0%
Declaration of location	0.17	-	-	-	0%
Retention Lease	0.97	0.99	-	0.99	102%
Production Licence	1.79	4.70	-	4.70	263%
Infrastructure Licence	0.06	0.03	-	0.03	50%
Pipeline Licence	0.13	0.29	-	0.29	223%
Special Prospecting Authority (SPA); Access Authority (AA)	0.24	-	0.01	-	0%
Transfers and Dealings	0.37	-	-	-	0%
Total	6.53	6.37	0.19	6.55	100%

¹ 2013/14 is not a full financial year as the CRIS begins 1 November 2013. Total Costs do not match table 5 due to rounding.

NOPTA is addressing this imbalance with a new fee and levy structure.

3.5 Cost recovery charges and revenue

Cost recovery levies

NOPTA collects more than 97 per cent of its revenue from the ATA Levy. The current charging structure also includes application fees which are associated with undertaking specific services for individual companies. Less than 5 per cent of revenue is collected via these fees.

In the current analysis it has been difficult to identify those activities which could be attributed to specific entities. NOPTA is in its early establishment phase with a limited history of data and inherited legacy charging arrangements – there is a need to take more time to capture additional data and consult with industry stakeholders prior to introducing significant changes to the balance between levies and fees.

NOPTA is introducing several new fees for activities where direct users can be identified, removing miscellaneous fees and the ATA Levy can be reduced accordingly. In addition, Exploration Permits are now charged on a per title basis, rather than a per block basis. This is more equitable, as NOPTA's effort in administering the exploration permit does not vary according to the number of blocks being applied for. A per block charge has been retained for retention lease and production licence, and kilometres for pipeline licence, as NOPTA's data submission, compliance monitoring and resource assessment issues are commensurate with this measure.

This enables much greater transparency around the costs of NOPTA's activities than has been provided previously. NOPTA will continue to assess cost recovery arrangements to ensure that these are efficient. Charges may be revised when the CRIS is reviewed in 2015.

Cost recovery fees

Application fees provided revenue of \$0.29 million in 2012/13. For certain activities, the data for those fees is aggregated across the same fee level. Where the data allows, the revised fee structure reflects the results of the analysis of associated activities. The fees where further analysis could not be undertaken have been left unchanged. This is considered appropriate as it is not cost effective to do further analysis due to their low value. NOPTA is implementing changes within their financial system that will allow a full analysis for the cost recovery review in 2015.

New products to be cost recovered through fees

Certain current products that require effort do not attract a fee. Costs are instead being funded through the ATA Levy.

These products include:

- Suspensions and extensions: \$0.76 million of NOPTA's costs have been identified as being associated with suspension and extension activities but are not being directly recovered by the relevant companies. It can involve substantial work by NOPTA to assess the application. It is likely that not having a charge associated with this activity leads to significant cross-subsidy between companies because effort and costs associated with this activity are not spread equally. Some companies rarely apply for suspension and extensions, while others use this process more frequently. This means that industry members requiring a greater regulatory effort by NOPTA are subsidised by others.
- Declaration of location: \$0.26 million of NOPTA's costs have been identified as being associated with declaration of location activities, but are not being directly recovered by companies requesting a declaration of location. A declaration of location provides the mechanism for transition from an exploration permit to a production licence or a retention lease following the discovery of petroleum.

The revised fee structure includes new charges to recover for these products. These fees have been calculated by determining the key activities and the associated effort levels and expenses for the new products and then forecasting demand levels using historical data.

Transfer and dealings ad valorem fee (Registration Fees)

The Registration Fees which were previously charged under the *Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Act 2006 (the Registration Fees Act)* will cease from 1 November 2013 when the Registration Fees Act is repealed. The Registration Fees for transfers and dealings will be replaced with an application fee. Currently NOPTA does not receive Registration Fee Revenue and is not funded for activities associated with transfers and dealings, these costs are met from the ATA levy.

There are \$0.55 million in costs associated with undertaking activities related to transfer and dealings. If there is no replacement fee, the costs of undertaking transfer and dealings activities will need to be subsidised by other activities.

Rarely used fees

There are currently a number of rarely used, small value miscellaneous fees that are superfluous to requirements. Only six transactions were recorded for miscellaneous fees in 2012/13 for total revenue of \$827. The charging arrangements have been simplified by abolishing these miscellaneous fees. The products related to these fees are no longer provided to specific entities. The publicly available National Electronic Approvals Tracking System (NEATS) can be accessed free of charge for many of these requirements. NEATS was provided for in budget funding of \$6.4 million.

Impacts of options on individual fees and levies

Table 7: Options for levies

Annual Levy	Current			Option 1 – Immediate removal of cross-subsidy			Option 2 – Transition		
	\$/block	\$/title	\$/km	\$/block	\$/title	\$/km	\$/block	\$/title	\$/km
Exploration Permit	65	-	-	-	14,535	-	-	9,781	-
Infrastructure Licence	-	15,510	-	-	31,190	-	-	22,500	-
Pipeline Licence	-	-	105	-	-	53	-	-	52
Production Licence	23,265	-	-	9,741	-	-	15,500	-	-
Retention Lease	7,755	-	-	7,755	-	-	7,755	-	-

Table 8: Options for fees

Application Fees \$ per Title/Application	Current	Option 1 – Immediate removal of cross-subsidy	Option 2 – Transition
Acreage Release Bid (Work-bid petroleum exploration permit)	5,220	11,690	8,183
Suspension and extension; Variation; Exemption	-	7,629	5,340
Declaration of location	-	10,852	7,596
Special Prospecting Authority (SPA); Access Authority (AA)	1,050 (SPA only)	7,971	5,580
Transfer	-	10,425	7,180
Dealing	-	4,185	2,950

The above tables set out options for addressing recommended changes to the charging arrangements. In developing options for NOPTA the review has taken into account:

- Ensuring that NOPTA's cost recovery arrangement is consistent with cost recovery principles established in the Australian Government's Cost Recovery Guidelines.
- That NOPTA is in its early establishment phase with a limited history of data and inherited legacy charging.

For some changes two options have been identified:

1. Immediate change: significant re-balancing of ATA Levies and Application Fees including the introduction of new fees to ensure that cross subsidisation is not occurring across products.
2. Transitioned introduction of fee changes: the second option provides for a transition/staged approach to introducing the change. This reflects that the changes result in significant increases or decreases in fees and levies and that there may be benefits to industry from smoothing the change.

NOPTA has identified that Option 2, the transitioned introduction of fee changes, is appropriate, with the impacts shown in Tables 9 and 10.

Table 9: Revenue and cost recovery estimates for Option 2, 2013/14¹, \$m

Revenue	New Revenue Levies	New Revenue Fees	Total Revenue
Acreage Release	-	0.25	0.25
Petroleum Exploration Permit	1.49	-	1.49
Suspension and extension; variation; exemption	-	0.35	0.35
Declaration of location	-	0.12	0.12
Retention Lease	1.01	-	1.01
Production Licence	2.85	-	2.85
Infrastructure Licence	0.05	-	0.05
Pipeline Licence	0.14	-	0.14
Special Prospecting Authority (SPA); Access Authority (AA)	-	0.17	0.17
Transfer	-	0.05	0.05
Dealing	-	0.18	0.18
Total	5.53	1.12	6.65

¹ 2013/14 is not a full financial year as the CRIS begins 1 November 2013.

Table 10: Fee Structure

Fee Structure

<i>Offshore Petroleum and Greenhouse Gas (Regulatory Levies) Regulations 2004</i>				
			Current	Revised
	Petroleum Exploration Permit (minimum)	Part 11A -59A	1 290 (minimum)	See below
<i>Change basis of charging</i>	Petroleum Exploration Permit	Part 11A -59A (2) (b)	65 per block	9 781 per title
	Petroleum Retention Lease (per block)	Part 11A -59A (3)	7 755	7 755
	Petroleum Production Licence (per block)	Part 11A -59A (4)	23 265	15 500
	Infrastructure Licence (per title)	Part 11A -59A (5)	15 510	22 500
	Pipeline Licence (per km or part thereof)	Part 11A -59A (6)	105	52
	Greenhouse Gas Assessment Permit	Part 11A -59A (7)	Nil	Nil
	Greenhouse Gas Holding Lease (per block)	Part 11A -59A (8)	6 820	6 820
	Greenhouse Gas Injection Licence (per block)	Part 11A -59A (9)	20 460	20 460
	Late payment penalty	Section 625 - OPGGSA	1/3 rd of 1% per day	1/3 rd of 1% per day

<i>Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 Schedule 6: Application – Part 1 (petroleum)</i>			
	Item and type of application	Current	Revised
	101 Work-bid petroleum exploration permit	5 220	8 183
	102 Special petroleum exploration permit	5 220	5 220
	103 Cash-bid petroleum exploration permit	2 090	2 090
	104 Renewal of petroleum exploration permit (all types)	2 090	2 090
	105 Petroleum retention lease (all types)	2 090	2 090
	106 Renewal of petroleum retention lease (all types)	2 090	2 090
	107 Petroleum production licence over a surrendered block	5 220	5 220
	108 Petroleum production licence over an individual block	1 050	1 050
	109 Petroleum production licence (other than in items 107 and 108)	2 090	2 090
	110 Renewal of petroleum production licence (all types)	2 090	2 090
	111 Infrastructure licence	2 090	2 090
	112 Pipeline Licence	5 220	5 220
	113 Variation of pipeline licence, s226	1 050	1 050
<i>Access authority is a new fee</i>	114 Petroleum special prospecting authority; Access authority	1050	5 580
<i>New fee</i>	Suspension and extension; variation; exemption (per title), made under Part 2.11	-	5 340
<i>New fee</i>	Declaration of location	-	7 596
<i>New fee</i>	Transfer	-	7,180
<i>New fee</i>	Dealing	-	2,950

<i>Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 Schedule 6: Application – Part 2 (GHG)</i>			
	Item and type of application	Current	Revised
	201 Work-bid greenhouse gas assessment permit	-	-
	202 Cash-bid greenhouse gas assessment permit	-	-
	203 Renewal of greenhouse gas assessment permit	-	-
	204 Greenhouse gas holding lease (all types)	1 835	1 835
	205 Renewal greenhouse gas holding lease	1 835	1 835
	206 Greenhouse gas injection licence	1 835	1 835
	207 Greenhouse gas search authority	-	-
	208 Greenhouse gas site closing certificate	4 590	4 590

The Registration Fees which were previously charged under the Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Act 2006 (the Registration Fees Act) cease from 1 November 2013, when the Registration Fees Act is repealed.

4. STAKEHOLDER ENGAGEMENT

Titleholders and industry stakeholders were given the opportunity to comment on NOPTA's proposed cost recovery arrangements during a 2 week consultation period. The cost recovery consultation document was also published on NOPTA's website, and a newsletter was issued to all recipients.

At the conclusion of the consultation period on 20 September 2013, one objection was received from a small to mid-cap company not currently paying fees or levies. However a major industry body representing the vast majority of titleholders and prospective petroleum production and exploration companies, provided overwhelming support stating as follows:

"... appreciates the government's mandate for appropriate and business activity based cost recovery"

"... commend NOPTA for presenting a thorough and worked analysis of the proposed changes."

"within [the] membership we have a clear majority view that the principle behind the cost changes to the cost recovery system are appropriate and hence [we have] no objections".

On balance it is concluded that industry supports the CRIS. NOPTA will continue to engage with stakeholders and work through any issues upon implementation of the CRIS.

5. FINANCIAL INFORMATION

Table 11: Summary of forecast expenses and cost recovery revenue, \$m

	2013/14 ¹	2014/15	2015/16
Expenses	6.53	9.98	10.21
Revenue	6.65	9.97	10.10
Balance	0.12	-0.01	-0.11
Cumulative Balance	0.12	0.11	-

¹ 2013/14 is not a full financial year as the CRIS begins 1 November 2013.

Financial information at activity level can be found in section 3.5 Cost recovery charges and revenue.

6. PERFORMANCE MONITORING

Cost recovery revenue will be reported in the Department of Industry Annual Report in accordance with the Finance Minister's Orders.

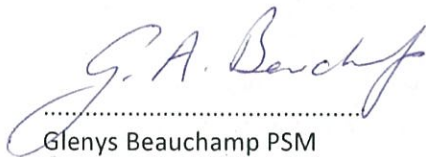
The Department of Industry executive is provided with monthly financial reports showing progress against the monthly budgets and an analysis of financial performance. In addition to financial performance, this report identifies key NOPTA metrics such as Titles Administration

application statistics (including volume, type, and timeliness), staffing and recruitment activities, and workplace health and safety incidents. This report is a timely mechanism for the Department's management to maintain regular oversight of NOPTA's operations.

In addition to the Annual Report and the monthly reports NOPTA will be developing and publishing a Cost Effectiveness Report on a semi-annual basis to improve transparency of costs. The first report will review the 2012/13 financial year. From 2013/14 a monthly dashboard report will be published on the NOPTA website display application statistics and information on financial performance. NOPTA has a project underway that will benchmark some of our activities including risk management against other international regulators later this year. Future CRISs will look to benchmark activities against similar regulators.

7. CERTIFICATION

I certify that this CRIS complies with the Australian Government Cost Recovery Guidelines.



Glenys Beauchamp PSM
Secretary
Department of Industry

Date of Certification: 3/10/2013