



NOPSEMA

Australia's offshore
energy regulator

Annual report on the cost effectiveness of the operations of NOPSEMA

Financial year 2022 - 2023



CEO's foreword

I am pleased to release this Cost Effectiveness Report - my second as CEO - for the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), for the financial year 2022-23 (FY23).

In 2022–23 the Australian offshore oil, gas and greenhouse gas storage industry was able to start to operate in something of a 'post-COVID-19' environment, as the effects of the virus continued to abate around the world.

However, during the financial year a series of legal challenges against previously accepted environment plans (EPs) caused a large amount of uncertainty for industry and an associated drop in activities, with a knock-on effect to finances.

I am pleased to report however, that since December 2023 there has been a notable increase in the number of EPs being submitted. This reflects the significant effort titleholders have been making over the last year and a half to comply with broadened consultation requirements, which arose through the court decisions.

Nevertheless, the risk of litigation remains, and I welcome the Government's announcement that it will look at clarifying and improving consultation in its offshore environmental management review. NOPSEMA will continue to provide advice and support to the Department of Industry, who is leading the review, as needed.

My goal as CEO is to ensure NOPSEMA maintains effective regulation of the industry through the protection of the offshore workforce and the environment. It is a challenge which I look forward to continuing.

In the reporting period 2022-23, there was 10.8 million hours worked offshore in waters regulated by NOPSEMA, which was an increase of five per cent from the 10.3 million hours worked in 2021-22.

During the reporting period, NOPSEMA was responsible for regulating more than a thousand offshore assets comprising fixed and mobile facilities, pipelines, wells, and subsea infrastructure. Our regulatory activity included assessing 167 key permissioning documents, investigating 667 reported incidents and complaints, 122 inspections of facilities/activities/wells, and undertaking 19 compliance and enforcement actions.

NOPSEMA's total expenditure for 2022–23 was \$42.5 million, an increase of \$2.82 million on the previous year, with an operating surplus of \$8.0 million, an increase of \$2.7 million compared with previous year's surplus of \$5.4 million.

NOPSEMA has worked hard to demonstrate the value of an independent, expert regulator. I would like to acknowledge the professionalism and expertise of NOPSEMA's staff, the support of our Ministers and the guidance of NOPSEMA Advisory Board, and the considerable efforts of industry, the workforce, and the community to ensure sound safety, well integrity and environmental outcomes.

I am proud to be leading an agency with such a high degree of expertise and I am committed to ensuring it continues to be well placed to respond to future challenges.



Sue McCarrey
Chief Executive Officer

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Authority to recover

The Australian Government’s overarching cost recovery policy is that, where appropriate, recipients of government activities should be charged the costs of those activities. As such NOPSEMA levies the offshore energy industry the costs attributable to the agency’s activities undertaken in meeting its policy outcome and legislated functions. NOPSEMA undertakes these activities as a Corporate Commonwealth Entity on a not-for-profit basis.

Policy background

NOPSEMA’s policy outcome is outlined in the Portfolio Budget Statements 2022–23 for the Industry, Science, Energy and Resources Portfolio and is as follows:

Promote and enforce the effective management of risks to the workforce, the environment and the structural integrity of facilities, wells and well-related equipment of the Australian offshore petroleum and greenhouse gas storage industries through regulatory oversight.

Legislated functions

NOPSEMA’s legislated functions are detailed in section 646 of the OPGGS Act and are summarised as follows:

- to promote the OHS of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations
- to develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their OHS, structural integrity of facilities, wells and well-related equipment, and environmental management obligations under the OPGGS Act and regulations
- to investigate accidents, occurrences and circumstances relating to OHS, structural integrity of facilities, wells and well-related equipment, and environmental management
- to advise persons on matters relating to OHS, structural integrity of facilities, wells and well-related equipment, and environmental management
- to make reports, including recommendations, to the responsible Commonwealth minister and each responsible state and Northern Territory minister
- to cooperate with other Commonwealth and state or Northern Territory agencies or authorities having functions relating to regulated operations

NOPSEMA fulfills its legislated functions through assessment, inspection, investigation, compliance and enforcement, and promotion and advisory activities.

1 NOPSEMA 2022–23 operations

1.1 Year in brief

This report covers the financial year 2022–23 in which NOPSEMA fulfilled its responsibilities as the national regulator of offshore petroleum safety, well integrity and environmental management.

NOPSEMA’s operating result was a surplus of \$8.0 million which is an increase of \$2.7 million compared with previous year’s surplus of \$5.4 million. The result for financial year 2022-23 includes an \$6.4 million surplus attributed to NOPSEMA’s net appropriations, primarily the result of the underspend arising from delays in the implementation of the Digital Transformation project. NOPSEMA’s regulatory functions achieved a surplus of \$1.6 million in financial year 2022-23.

Levies collected in 2022–23 covered a full twelve-month period and decreased by \$0.7 million on the prior year.

Table 1 NOPSEMA’s 2022–23 financial result compared to 2021–22

| INCOME STATEMENT | | | | |
|--|----------------|----------------|-----------------|----------------|
| <i>for the period ended 30 June 2023</i> | | | | |
| | Actuals | Actuals | Variance | |
| | 2022-23 | 2021-22 | | |
| | \$'000 | \$'000 | \$'000 | % |
| INCOME | | | | |
| <i>Revenue - Cost Recovery</i> | | | | |
| Levies | 39,696 | 40,419 | (723) | (1.8) |
| Interest | 941 | 55 | 886 | 1,610.9 |
| Other | 746 | 2,210 | (1,464) | (66.2) |
| | 41,383 | 42,684 | (1,301) | (3.0) |
| <i>Gains</i> | | | | |
| Other gains | 0 | 842 | (842) | (100.0) |
| <i>Revenues from Government</i> | | | | |
| Revenues from Government | 9,112 | 1,500 | 7,612 | 507.5 |
| <i>Total revenue</i> | 50,495 | 45,026 | 5,469 | 12.1 |
| EXPENSES | | | | |
| <i>Expenses</i> | | | | |
| Employee benefits | 33,680 | 30,233 | 3,447 | 11.4 |
| Suppliers | 6,856 | 5,102 | 1,754 | 34.4 |
| Depreciation and amortisation | 1,574 | 4,262 | (2,688) | (63.1) |
| Finance costs | 338 | 34 | 304 | 894.1 |
| Other expenses | 0 | 0 | 0 | 0.0 |
| <i>Total expenses</i> | 42,448 | 39,631 | 2,817 | 7.1 |
| Surplus / (deficit) | 8,047 | 5,395 | 2,652 | 49.2 |

Total expenditure for 2022–23 was \$42.5 million, an increase of \$2.82 million on the previous year. Employee benefits increased by \$3.5 million, and depreciation and amortisation costs decreased by \$2.7 million. Non-employee related expenses accounted for 21% of total agency expenditure (24% in 2021–22).

Cash on hand as at 30 June 2023 was \$36.2 million, an increase of \$9.8 million compared to the prior year. Retained earnings for the period 30 June 2023 increased to \$31.9 million. The increase in cash on hand and retained earnings is largely attributable delays in the Digital Capabilities project and the resultant underspend for the year. Additionally, \$2.56M was received by NOPSEMA in June 2023 and is to be refunded to the Department of Finance in FY24.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) came into effect on 1 July 2014 and provides the legal framework for the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth

companies. Under the PGPA Act, NOPSEMA became a Commonwealth corporate entity that is financially separate from the Commonwealth. The entity is fully funded through cost recovery charges imposed under the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (OPGGs Act) and *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2022* (OPGGs Regulations).

Since 1 July 2014, NOPSEMA has been responsible for its own banking arrangements. Section 59 of the PGPA Act enables NOPSEMA to invest relevant money under its own account. In 2022–23 NOPSEMA received \$0.94 million in interest from invested monies.

1.2 Achievement of budget targets

The financial result for 2022–23 was a surplus of \$8.05 million which is an increase of \$5.54 million against a forecast deficit of \$2.5 million in the Budget (Portfolio Budget Statements 2022–23). The increase in operating results is largely attributable to a combination of higher interest revenues and delays in the Digital Capabilities project that resulted in lower expenditure.

Table 2 NOPSEMA's 2022–23 financial result compared to budget

| INCOME STATEMENT | | | | |
|--|----------------|----------------------------|-----------------|---------------|
| <i>for the period ended 30 June 2023</i> | | | | |
| | Actuals | Budget | Variance | |
| | 2022-23 | 2022-23¹ | | |
| | \$'000 | \$'000 | \$'000 | % |
| INCOME | | | | |
| <i>Revenue - Cost Recovery</i> | | | | |
| Levies | 39,696 | 41,370 | (1,674) | (4.0) |
| Interest | 941 | 70 | 871 | 1,244.3 |
| Other | 746 | 1,259 | (513) | (40.7) |
| | 41,383 | 42,699 | (1,316) | (3.1) |
| <i>Gains</i> | | | | |
| Other gains | 0 | 0 | 0 | 0.0 |
| <i>Revenues from Government</i> | | | | |
| Revenues from Government | 9,112 | 9,112 | 0 | 0.0 |
| <i>Total revenue</i> | 50,495 | 51,811 | (1,316) | (2.5) |
| EXPENSES | | | | |
| <i>Expenses</i> | | | | |
| Employee benefits | 33,680 | 34,785 | (1,105) | (3.2) |
| Suppliers | 6,856 | 11,721 | (4,865) | (41.5) |
| Depreciation and amortisation | 1,574 | 2,684 | (1,110) | (41.4) |
| Finance costs | 338 | 117 | 221 | 188.9 |
| <i>Total expenses</i> | 42,448 | 49,307 | (6,859) | (13.9) |
| Surplus / (deficit) | 8,047 | 2,504 | 5,543 | 221.4 |

Note: 2022–23 Budget is the budget published in the Portfolio Additional Estimates Statements 2022-23 Industry, Science, Energy and Resources Portfolio

Total levy revenue for 2022–23 was \$39.7 million which is \$1.67 million (4.0 %) below budget due to fewer than expected submissions.

Total expenditure for 2022–23 was \$42.45 million, \$6.86 million (13.9%) lower than budgeted and comprising:

- employee benefits \$1.11 million lower than budget
- supplier costs \$4.87 million lower than budget
- depreciation and amortisation \$1.11 million above budget

1.3 Current cost recovery model

The Australian Government’s overarching cost recovery policy is that, where appropriate, recipients of government activities should be charged the costs of those activities. The regulatory activities NOPSEMA delivers to industry to meet its legislated functions are funded through the charges in Table 3.

Table 3 NOPSEMA funding

| Occupational health and safety | Well integrity | Environmental management |
|---|---|---|
| <p>Safety case levies relate to the number of facilities and pipelines in a safety case when it is accepted and the number of facilities in accepted and in force safety cases each year.</p> | <p>Well levies relate to the number of well operations management plans (WOMP) submitted and the number of eligible wells in accepted and in force WOMPs each year.</p> | <p>Environment plan levies relate to the number of activities in an environment plan when it is submitted and the number activities in accepted and in force environment plans each year.</p> <p>Offshore project proposal assessment fees relate to the costs incurred in the assessment of an offshore project.</p> |
| <p>Safety investigation levies relate to the recovery of costs incurred in the investigation of contraventions of an operator’s legislative duties.</p> | <p>Well investigation levies relate to the recovery of costs incurred in the investigation of contraventions of a titleholder’s legislative duties.</p> | |

1.4 Cost recovery implementation statement

The Cost Recovery Implementation Statement (CRIS) provides information on how NOPSEMA implements cost recovery and contains financial and non-financial performance information and financial estimates. The process for a CRIS is undertaken in accordance with Australian Government Cost Recovery Guidelines and is subject to the oversight by the Department of Finance.

On 15 December 2022, the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2022*, came into force with a 10% increase to the levy rates.

Table 4 Levy rates

| Levy | at 30 June 2022 | at 1 January 2023 |
|------------------------------------|-----------------|-------------------|
| Safety case levies | | |
| Facility Amount - unit value | \$42,400 | \$46,600 |
| SMS Amount - mobile facility | \$136,700 | \$150,400 |
| SMS Amount - not a mobile facility | \$205,700 | \$226,300 |
| Unit value for pipeline facility | \$16,950 | \$18,600 |
| SMS for pipeline facility | \$67,800 | \$74,600 |
| Environment plan levies | | |
| Activity value | \$4,400 | \$4,800 |
| Compliance value | \$4,400 | \$4,800 |
| Well levies | | |
| Annual well levy | \$5,000 | \$5,500 |
| Well operations management plan | \$42,400 | \$46,600 |

1.5 Safety case levies

Safety case levies were introduced in January 2005. A safety case levy is payable when a safety case for a facility is accepted by NOPSEMA, and the facility is located or proposed to be in NOPSEMA's jurisdiction. The definition of a facility is outlined in Schedule 3, Clause 4 of the OPGGS Act. The definition includes vessels, structures (including any pipe or system of pipes), and licensed pipelines used for offshore petroleum operations or offshore petroleum greenhouse gas storage operations.

For vessels and structures, the safety case levy is an annual levy, imposed on the facility operator for the calendar year, or part thereof, depending on when the safety case comes into force. For licensed pipelines, the safety case levy is imposed on the pipeline licensee if a major revision of the safety case has come into force during the previous year. Safety case levies for a facility (other than a pipeline) are payable quarterly in arrears and remain payable for all years the facility operates in NOPSEMA's jurisdiction.

NOPSEMA's authority includes investigations into complaints, and notifiable and reportable occupational health and safety (OHS) matters. NOPSEMA charges the operator an additional levy (safety investigation levy) to recover the costs associated with the investigation in excess of \$30,000.

Assessments – OHS

NOPSEMA in 2022–23 received 102 safety case assessments (81 in 2021–22), 81 scopes of validation (66 in 2021–22), and issued 98 safety case assessment notifications (79 in 2021-22). 97% of safety case notifications were issued within the legislated timeframe.

Table 5 Safety case assessment notifications for 2022–23

| Assessment subtype | Number submitted ¹ | Number notified ² | Number notified within specified time | % Notified within specified time |
|---|-------------------------------|------------------------------|---------------------------------------|----------------------------------|
| Safety case new | 10 | 9 | 9 | 100% |
| Safety case revised | 92 | 89 | 86 | 97% |
| Total safety cases | 102 | 98 | 95 | 97% |
| Scope of validation | 88 | 82 | N/A | N/A |
| Diving safety management system new | | | | |
| Diving safety management system revised | 2 | 3 | 3 | 100% |
| Diving project plan | | | | |
| Diving start-up notice | 4 | 4 | N/A | N/A |
| Total additional activities | 94 | 89 | 3 | 100% |

¹ Based on date of submission

² Assessments where NOPSEMA has formally notified the duty holder in writing. Based on date of first notification.

Table 6 Number of facilities subject to safety case levies during each financial year

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| FLNG | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Large Platforms | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Other platforms: | | | | | | | | |
| Drilling or workover in commission | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Drilling or workover not in commission | 20 | 20 | 18 | 18 | 18 | 18 | 18 | 18 |
| FPSO | 10 | 11 | 10 | 9 | 7 | 7 | 8 | 9 |
| FSO | 1 | 1 | 2 | 3 | 0 | 0 | 0 | 0 |
| MODU | 15 | 13 | 13 | 12 | 15 | 12 | 7 | 7 |
| Pipe laying vessel | 14 | 11 | 16 | 17 | 17 | 20 | 14 | 13 |
| Multi-purpose vessel | 19 | 21 | 14 | 8 | 9 | 10 | 10 | 10 |
| Pipeline | 17 | 50 | 59 | 68 | 70 | 71 | 73 | 75 |
| Not Normally Attended | 15 | 15 | 11 | 11 | 11 | 11 | 11 | 11 |
| Vessel or structure not otherwise listed | 0 | 0 | 4 | 4 | 8 | 8 | 7 | 7 |
| Total | 114 | 146 | 152 | 155 | 160 | 162 | 153 | 155 |

The number of facilities subject to safety case levies during 2023 increased to 155 compared to 153 for the previous year. This Increase was due to the number safety case assessments increasing by 1 for FPSO's and by 2 for pipelines. However, the number of pipelay vessels decreased by 1, as seen in Table 6 above.

Inspections – OHS

For the reporting period, NOPSEMA completed a total of 72 safety inspections across a range of facilities and operators. This is an increase from 64 inspections in the previous period, mainly due to COVID-19 related travel restrictions easing. Focus areas for inspections in 2022–23 included:

1. COVID-19 health arrangements
2. Senior Management Oversight
3. Deferred maintenance
4. Structural integrity
5. Loss of containment
6. General occupational health hazards
7. Assets and ageing facilities
8. Decommissioning activities

NOPSEMA’s planned inspections involved a range of activities, including:

- Communication with OHS representatives and members of the workforce
- Verifying those actions arising from recommendations of previous inspections had been completed
- Oversight of compliance to NOPSEMA enforcement actions
- Oversight of structural integrity for late life assets including wells and assets entering into a decommissioning phase
- Oversight of the abandonment of wells
- Testing personnel knowledge and understanding of selected aspects of the safety case or DSMS and supporting documents, as relevant.

All inspections were undertaken in an informed, risk-based and consistent manner.

Enforcements – OHS

In 2022–23, NOPSEMA issued 11 OHS-related enforcement actions and no non-statutory compliance actions (4 in 2021–22).

Incident notifications – OHS

In 2022–23, there were 572 incidents relating to reportable OHS matters (606 in 2021–22). This figure comprised of 1 fatality, 1 serious injury, 14 accidents (19 in 2021–22) and 556 dangerous occurrences (587 in 2021–22). In addition, there was also 25 OHS-related complaints (12 in 2021–22).

Well levies

Well levies were introduced on 17 June 2011 comprising an annual levy and an activity levy. NOPSEMA is responsible for the administration of Part 5 – Well operations management plans and well activities under the OPGGS (Resource Management and Administration) Regulations 2011.

The annual well levy is payable on 1 January each year and is based on the number of non-abandoned wells that existed in a title area in the preceding calendar year.

The well activity levy is payable at the time a registered holder of a petroleum title submits an application for acceptance of a WOMP. NOPSEMA is authorised to impose an additional well investigation levy to recover costs reasonably incurred in relation to a well investigation.

Assessments – Well integrity (WI)

During 2022–23, a total of 34 WOMP submissions were received (59 in 2021-22), where 87% of assessments for 2022–23 were notified within the legislated timeframes.

Table 7 Well integrity assessment notifications for 2022–23

| Assessment subtype | Number submitted | Number notified | Number notified within specified time | % Notified within specified time |
|--------------------|------------------|-----------------|---------------------------------------|----------------------------------|
| WOMP - new | 10 | 8 | 7 | 87% |
| WOMP - revisions | 24 | 28 | 24 | 86% |
| Total | 34 | 36 | 31 | 87% |

Inspections – WI

In 2022–23, 17 inspections of titleholder’s regulatory compliance with respect to their management of well operations were completed (23 in 2021-22). Focus areas for inspections included monitoring and auditing of well integrity, well barriers, suspension and abandonment, management systems and manage of change.

Enforcements – WI

In 2022–23, NOPSEMA issued no well integrity related enforcements (3 in 2021-22) and 2 non-statutory compliance actions (none in 2021-22).

Incident Notifications – WI

In 2022–23, 69 incidents relating to well integrity matters were notified to NOPSEMA (70 in 2021-22).

1.8 Environment plan levies and offshore project proposal fees

On 1 January 2012, NOPSEMA’s regulatory functions and responsibilities were expanded to include environmental management. To fund NOPSEMA’s expanded responsibilities, levies for environment plans (EPs) were introduced, effective from 1 January 2012. The EP levy is comprised of two components - an ‘activity amount’ and a ‘compliance amount.’

The range in complexity that may occur between different petroleum activities and subsequently impact on regulatory effort required to assess submissions is broadly reflected in the levy calculation method in relation to each EP.

The activity component of the levy is payable on submission of an EP or when a proposed revision is submitted and is due 30 days after submission.

The compliance amount is payable in instalments each calendar year for the duration of the petroleum activity, rounded up to the nearest whole year, with the first compliance levy payable on submission and thereafter annually on 1 January.

From 28 February 2014, NOPSEMA also cost recovers for whole-of-project environmental acceptability through the assessment of Offshore Project Proposals (OPPs). To fund OPP assessments, NOPSEMA charges fees on a full cost recovery basis under Regulation 32 of the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009. OPP assessment fees are calculated in accordance with NOPSEMA’s Schedule of Fees and are based on the total amount of expenses actually incurred by NOPSEMA in considering the proposal.

Table 8 Environment plan assessment notifications for 2022–23

| Assessment subtype | Number submitted | Number Notified | Number notified within specified time | % Notified within specified time |
|--|------------------|-----------------|---------------------------------------|----------------------------------|
| Environment plan (Exploration) - new | 3 | 5 | 5 | 100% |
| Environment plan (Exploration) - revised | 1 | | | 100% |
| Environment plan (Development) - new | 13 | 15 | 15 | 100% |
| Environment plan (Development) - revised | 12 | 11 | 11 | 100% |
| Offshore Project Proposal - Stage 1 | | | | N/A |
| Offshore Project Proposal - Stage 2 | | | | N/A |
| Total | 29 | 31 | 31 | 100% |

In 2022-2023 NOPSEMA received 29 EP/OPP submissions (54 in 21/22).

Inspections – Environmental Management (EM)

In 2022-2023, NOPSEMA conducted 36 environmental management inspections as part of its function to monitor and enforce compliance. These inspections were conducted in accordance with NOPSEMA policy and covered a range of petroleum activities, including seismic surveys, drilling and production operations.

NOPSEMA’s inspection programming is primarily driven by consideration of specific risk factors that are informed by regulatory intelligence obtained through assessments, inspections, investigations, notifications, and liaison with domestic and international regulators.

Risk factors include, but are not limited to, compliance history, attitude and behaviour of duty holders, strategic factors and external pressures such as financial pressures, heightened public interest and latent risks.

NOPSEMA’s inspection policy also details baseline inspection frequencies (the minimum frequency of inspections that will be undertaken where risk factors have not been identified). NOPSEMA’s Environment Inspection baseline frequencies include:

- All new titleholders undertaking exploration or development activity - inspected in the first year of activity commencement.
- Production activities
 - once during construction /commissioning (start-up) and/or
 - once every five-years (Environment Plan revision cycle)
- Drilling activities
 - once every five-years (Environment Plan revision cycle) for exploration activities
 - risk based for development wells & intervention.
- Wells and infrastructure - suspended wells and non-producing infrastructure once every five-years (Environment Plan revision cycle)
- Decommissioning activities; Seismic activities; ‘Other’ activities – inspection undertaken based on risk.

All inspections undertaken during the 2022-2023 financial year were done in an informed, risk-based and consistent manner with regard to the relevant risk factors and baseline inspection frequencies.

Enforcements – EM

In 2022–23, there were 9 enforcements (2 ‘Direction - General’, 5 ‘EM written advice/warning’ and 2 ‘Request for a revision to an environment plan’).

Incident notifications and investigations – EM

In 2022–23, there were 9 notifications relating to reportable environmental management matters (10 in 2021–22). All notifications are investigated to determine if there is a potential breach of the OPGGS Act, its regulations or an accepted permissioning document.

Advice, liaison and cooperation – EM

A substantial and increasing amount of effort is applied by NOPSEMA to engaging with titleholders and other stakeholders to provide advice on environmental management as well as cooperation in performance of NOPSEMA’s regulatory functions. This engagement has seen an increasing amount face-to-face engagement. In 2022-23 a big focus of engagement with titleholders and other stakeholders has been on consultation requirements in preparation of environment plans following a relevant court decision in September 2022. NOPSEMA also developed, consulted on and published a new guideline on consultation requirements applying to environment plans.

Extensive efforts were expended in 2022–23 to cooperate with government agencies (resources, environment and fisheries) across Commonwealth and State jurisdictions on environmental management and decommissioning.

NOPSEMA also continued to maintain liaison and cooperation in a range of other specific formal fora:

- NOPSEMA’s Community and Environment Reference Group
- Liaison with DCCEEW as part of the Administrative Arrangements for the NOPSEMA EPBC Streamlining Program
- Liaison with DCCEEW in the establishment and implementation of Work Orders under the Deed of Standing Offer
- Cooperation with DISR regarding enhancements to Australia’s decommissioning framework
- Coordination and participation in the Seismic and Fisheries Cooperative Framework project in cooperation with the Department of Industry, Science, Energy and Resources and the Department of Agriculture, Water and Environment.
- Advisory Panel representation in the Blue Economy Cooperative Research Centre
- Participation in the Marine Pest Sectoral Committee
- Cooperation with Parks Australia under Memorandum of Understanding
- Co-sponsor and oversight of a project under the federal government’s Business Research Innovation Initiative for improving whale detection at sea and mitigation of impacts from offshore energy activities
- Blue Economy CRC - Marine Spatial Planning Advisory Group
- Blue Economy CRC – Ocean Energy Systems Australia Working Group
- National Marine Science Committee (NMSC)
- NMSC Integrated Ecosystem Assessment Implementation Working Group
- National Marine Science Committee Integrated Ecosystem Assessment Working Group
- National Environment Science Program’s Marine and Coastal Hub Steering Committee
- Attendance to present to APPEA Board and relevant committees and working groups

- Participation on the National Plan for Maritime Environmental Emergencies and National Plan Strategic Coordination Committee (NPSC).
- Engagement with the Clean Energy Regulator on the proposed Safeguard Mechanism reforms
- Engagement with DISER (now DISR) – Climate Change Unit
- Engagement with International Offshore Petroleum Environment Regulators (IOPER)
- Participation in Australian Environmental Law Enforcement and Regulators Network (AELERT) and National Regulator’s Community of Practice (NRCoP)

International liaison and cooperation

- International Offshore Petroleum Environment Regulators forum (IOPER) and IOPER working groups (Marine Sound and Oil Spill)
- Liaison with industry representative bodies including IOGP and IPIECA on oil spill preparedness

1.9 Decommissioning

Promote and advice function - Decommissioning

An increasing focus on decommissioning by NOPSEMA and policy agencies has resulted in staff contributing more of their time to engage on the policy, legal, operational and compliance dimensions of decommissioning and related financial assurance regulatory and policy settings. Additionally, decommissioning is driving elevated levels of compliance activity, including monitoring the compliance of General Directions and other compliance tools used by NOPSEMA.

Throughout the reporting period NOPSEMA continued to implement actions from the Decommissioning Compliance Strategy 2021-2025, taking and monitoring compliance action for all petroleum projects that present the highest level of compliance risk with the requirements of section 572.

NOPSEMA continued to engage with other stakeholders on a regular basis including with the Centre of Decommissioning Australia (CODA), research organisations, and interest groups. NOPEMA staff presented in a number of external conferences and symposiums such as the Society of Petroleum Engineers (SPE), CODA facilitated courses, APPEA, D&A Aus to promote and provide advice on decommissioning related compliance matters.

Cooperating with NOPTA and other Commonwealth agencies - Decommissioning

NOPSEMA and NOPTA have established an interagency protocol for decommissioning matters associated with title transactions. This provides the framework to facilitate cooperation during the title transaction processes in support of compliance monitoring and enforcement of titleholder's decommissioning obligations.

NOPSEMA continues to process a high number of requests for title related compliance advice for NOPTA. During 2022-23, NOPSEMA completed 49 assessments for title related compliance advice for NOPTA.

NOSPEMA has been holding regular liaison meetings with the Australian Securities and Investment Commission (ASIC) to develop a strong collaborative and information sharing culture between the two agencies and to improve decommissioning outcomes within industry.

NOPSEMA and the Department Climate Change, Energy, the Environment and Water (DCCEEW) continue to engage regularly to progress a project investigating the feasibility for the administrative streamlining of decommissioning assessments under the *Environment Protection (Sea Dumping) Act 1981* and Offshore Petroleum and Greenhouse Gas (Environment) Regulations 2009.

NOPSEMA has been contributing to the development of joint guidance with DCCEEW and DISR for the removal of property under the OPGGS Act and sea dumping regime for the purpose of providing clarity to

Industry regarding their requirements. This guidance is likely to go out for public comment towards the end of 2024.

NOPSEMA continued to engage with DISR regarding policy reform throughout the year including for development of legislation to regulate phase 2 and 3 decommissioning of the Laminaria and Corallina project, financial assurance and decommissioning planning.

NOPSEMA has been actively engaging with government agencies and department to ensure there is transparency and compliance with obligations of the OPGGS Act. These regulatory activities are not subject to any direct form of cost recovery and are funded from across NOPSEMA's cost recovery levies for wells, OHS and environmental management.

Compliance and enforcement - Decommissioning

NOPSEMA continued to implement a Decommissioning Compliance Plan to give effect to its heightened oversight of decommissioning obligations and has taken a range of compliance and enforcement action. This includes the ongoing compliance monitoring of the general directions issued during previous reporting periods:

- four general directions were issued in FY22 to titleholders of the non-operational petroleum projects, Stybarrow, Griffin, Minerva and Basker, Manta and Gummy (BMG) activities to ensure compliance with decommissioning obligations.
- three general directions issued in FY21 and FY19 for the following petroleum projects Enfield/Nganhurra, Esso Gippsland Basin Operations, and Woollybutt.

Assessment of permissioning documents - Decommissioning

Decommissioning has been a consideration during assessment of all EPs with greater focus and scrutiny given to operational facilities that are approaching end of field life. Eight EPs have been submitted during the reporting period. These were for cases of titleholders seeking a deviation to the full removal of property obligation, along with EPs for the execution of removal and well plug and abandonment activities. The number and complexity of these type of submissions is anticipated to increase into the future.

Assessment and subsequent compliance-related regulatory activities are funded via the relevant cost recovery streams (environmental management, OHS and wells levies) where there is provision.

NOPSEMA has also continued to ensure that all permissioning documents submitted during the reporting period are subject to oversight in relation to decommissioning matters, to ensure titleholders are appropriately planning for and carrying out decommissioning of facilities and equipment that are no longer in use.

2 Cost effectiveness of NOPSEMA operations 2022-23

2.1 Activities and costs

During the period, NOPSEMA received 384 submissions, mostly of the following types:

- safety case
- scope of validation
- diving safety management system
- diving start-up notice
- well operation management plan
- environmental plan
- petroleum safety zone application
- offshore project proposals

Of these submissions, 167 key permissioning documents were completed. Of the key permissioning documents notified by NOPSEMA, 95% were completed within the legislated timeframes.

Details of NOPSEMA’s activity during 2022–23 is summarised in the NOPSEMA Annual Report 2022–23 available at nopsema.gov.au.

2.2 Asset management

As at 30 June 2023, NOPSEMA had two office lease agreements in Perth and Melbourne.

Throughout 2022–23, NOPSEMA continued to develop its regulatory management system (RMS) software to enhance functionality for occupational health and safety, well integrity and the environment management functions.

NOPSEMA’s non-financial assets at the end of 2022–23 had a fair value (acquisition cost) of \$22.01 million (\$23.19 million in 2021–22) and a carrying value (depreciated value) of \$10.32 million (\$8.03 million in 2021–22).

2.3 Organisational effectiveness in 2022–23

Organisational effectiveness is determined by assessing the extent to which the desired outcomes and goals of the organisation have been achieved.

The objectives and performance measurement of NOPSEMA and the industry are addressed in NOPSEMA’s corporate plan and the annual performance statements published in the NOPSEMA Annual Report, available at nopsema.gov.au. NOPSEMA fully or substantially met all KPI targets for 2022–23.

2.4 NOPSEMA’s core activities

Two of NOPSEMA’s core activities increased during 2022-23 (inspections and liaison). The numbers of each activity undertaken were as follows:

| Core activity | Environmental Management | Occupational Health and safety | Well Integrity | Other ¹ | 2022–23 Total | 2021–22 Total for comparison |
|-----------------------------|--------------------------|--------------------------------|----------------|--------------------|--------------------------|---|
| Assessments | 68 | 196 | 61 | 59 | 384 | 412 |
| Inspections | 33 | 72 | 17 | - | 122 | 113 |
| Investigations ² | 5 | 563 | 70 | - | 638 | 669 |
| Enforcements | 8 | 10 | 2 | - | 20 | 33 |
| Liaison | 441 | 418 | 72 | 49 | 980 | 922 |

2.5 Industry data – hours worked, incidents and complaints

2022–23 data indicates that increases in total hours worked, and most incident categories were reported.

| Activity | 2022-23 | 2021–22 | % change |
|--------------------------------------|--------------|--------------|----------|
| Total hours worked | 10.8 million | 10.3 million | ↑ 5% |
| Fatalities | 1 | nil | ↑ 100% |
| Injuries | 62 | 78 | ↓ 21% |
| Accidents | 18 | 20 | ↓ 10% |
| Dangerous occurrences | 545 | 578 | ↓ 6% |
| Well integrity incidents | 70 | 68 | ↑ 3% |
| Environmental incidents (reportable) | 5 | 4 | ↑ 25% |
| Complaints | 26 | 16 | ↑ 63% |

2.6 Industry data – hours worked, incidents and complaints

Industry data from 2014-2023 can be found on the NOPSEMA website

(<https://www.nopsema.gov.au/about/planning-and-reporting/industry-nopsema-performance-reports>)

under performance datasets.

¹ Includes liaison across multiple divisions or for other corporate or agency liaison

² Includes investigations of incidents and complaints, excludes not-notifiable types

3 Outlook for 2023–24

Table 9 Outlook for 2023–24

| INCOME STATEMENT | | | | |
|---------------------------------|----------------------------|----------------------------|-----------------|---------------|
| | Budget Estimate | Audited Actuals | Variance | |
| | 2023-24 | 2022-23 | \$'000 | % |
| | \$'000 | \$'000 | \$'000 | % |
| INCOME | | | | |
| Revenue - Cost Recovery | | | | |
| Levies | 51,453 | 39,696 | 11,757 | 29.6 |
| Interest | 70 | 941 | (871) | (92.6) |
| Other | 600 | 746 | (146) | (19.6) |
| | 52,123 | 41,383 | 10,740 | 26.0 |
| Gains | | | | |
| Other gains | 0 | 0 | 0 | 0 |
| Revenues from Government | | | | |
| Revenues from Government | 8,721 | 9,112 | (391) | (4.3) |
| Total revenue | 60,844 | 50,495 | 10,349 | 20.5 |
| EXPENSES | | | | |
| Expenses | | | | |
| Employee benefits | 45,149 | 33,680 | 11,469 | 34.1 |
| Suppliers | 12,999 | 6,856 | 6,143 | 89.6 |
| Depreciation and amortisation | 2,266 | 1,574 | 692 | 44.0 |
| Finance costs | 139 | 338 | (199) | (58.9) |
| Total expenses | 60,553 | 42,448 | 18,105 | 42.7 |
| Surplus / (deficit) | 291 | 8,047 | (7,756) | (96.4) |

3.1 Staffing levels (full time equivalents – FTEs)

NOPSEMA's staffing level for 2022–23 increased to 155.5 Full Time Equivalents (FTEs) as at 30 June 2023 compared to 134.2 FTEs as at 30 June 2022.

NOPSEMA had 191 approved positions as at 30 June 2023. Staffing requirements are reviewed on an ongoing basis taking into consideration any requirements for specific expertise to deliver NOPSEMA's legislated functions.

NOPSEMA's staffing levels are continually reviewed as part of its planning processes and to reflect the need for NOPSEMA to fully acquit its regulatory functions at 'best practice'.