

Cost Recovery

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1. Purpose

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is Australia's expert regulator for health and safety, structural and well integrity, and environmental management for offshore petroleum and greenhouse gas operations.

NOPSEMA was established on 1 January 2012 under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGs Act). The OPGGS Act confers functions and powers on NOPSEMA in relation to health and safety, structural and well integrity, and environmental management and provides for a system of fees and levies that are imposed upon duty holders.

On 2 June 2022, NOPSEMA acquired the functions of the Offshore Infrastructure Regulator (OIR) under the *Offshore Electricity Infrastructure Act 2021* (OEI Act). Costs associated with administering the functions of the OIR are recovered separately under the OEI Act framework.

The Department of Finance administers the Australian Government Charging Framework, NOPSEMA's cost recovery policy approach is consistent with this framework. The characteristics of a government activity determine the type of cost recovery charges, either cost recovery fees or cost recovery levies.

The purpose of this policy is to provide a documented, systematic and consistent approach to the application of regulatory fees and levies.

2. Scope

This policy applies to all fees and levies as provided for in the legislation listed in section 3. For simplicity, this policy only makes explicit reference to the Commonwealth legislation. However, the policy will be applied to the relevant State and Northern Territory jurisdictions where powers and functions have been conferred.

3. Relevant Legislation

- *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGs Act)
- *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (Regulatory Levies Act)
- Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004 (Regulatory Levies Regulations)
- Offshore Petroleum and Greenhouse Gas Storage (Safety) Regulations 2009 (Safety Regulations)
- Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023 (Environment Regulations)

- Part 5 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 (Resource Management and Administration Regulations)
- *Commonwealth Offshore Electricity Infrastructure Act 2021* (OEI Act)
- *Commonwealth Offshore Electricity Infrastructure (Regulatory Levies) Act 2021*
- Offshore Electricity Infrastructure (Regulatory Levies) Regulations 2022

4. Australian Government Charging Framework

Application of the framework

Regulatory fees and levies recover the costs expended by NOPSEMA and the OIR in delivering regulatory functions for offshore energy industries. The charging of regulatory fees and levies is provided in the legislation referenced in section 3. NOPSEMA and the OIR's role is to administer this legislation effectively and efficiently.

Calculation of fees and levies for activities under the OPGGS Act

Fees and levies are applied to petroleum and greenhouse gas storage facilities and activities according to the descriptions made by duty holders in submissions to NOPSEMA. This information is matched as closely as possible to the levy rating categories provided in the Regulatory Levies Regulations. Where there is ambiguity, NOPSEMA will seek clarification from the duty holder before determining the appropriate levy.

In cases where categorization is difficult, NOPSEMA determines levy ratings on a case-by-case basis, with consideration of precedent and the anticipated level of regulatory effort associated with the facility or activity.

Calculation of fees and levies for activities under the OEI Act

Fees and levies are applied to offshore renewable energy infrastructure and offshore electricity transmission infrastructure activities according to the type of licence and the type of submissions made to the OIR. Further information can be found in the OIR fees and cost recovery policy N11300-PL2064.

Notifications for fees and levies are classified as exempt from the Goods & Services Tax (GST) under A New Tax System (Goods and Services Tax) Regulations 2019.

Notification of fees and levies to duty holders

Duty holders will be advised of their fee and levy obligations by way of a notification, payment terms will be detailed in these notifications.

5. Alignment of fees and levies to cost recovery

NOPSEMA is an independent statutory authority established under the OPGGS Act. The OPGGS Act sets out NOPSEMA's legislated functions. NOPSEMA also administers the functions of the OIR under the OEI Act.

Based upon these functions, NOPSEMA and the OIR have created organisational charts which identify the staffing requirements necessary to meet regulatory work requirements. This staffing requirement is fully costed, including administrative overheads to determine a total cost for the delivery of regulatory functions.

NOPSEMA and the OIR were established to be 100 per cent cost recovered entities. To be such an entity requires comparing the entity's total revenue with its total cost to determine a projected surplus or deficit for the year. The projection is then reviewed against the entity's retained earnings to determine if any change to fees or levies are required. This process is detailed in the relevant Cost Recovery implementation Statements.

6. Maintenance of cost recovery implementation statements

In accordance with Australian Government Cost Recovery Guidelines, NOPSEMA and the OIR must periodically review their Cost Recovery Implementation Statements (CRIS) to ensure the level and methods of cost recovery are appropriate and equitable. Should legislative amendments be required to adjust fees, unit values or levy ratings, any instalments that remain unpaid on the date from which the legislative amendments commence will be modified accordingly.

7. Monitoring

Compliance with this policy is to be assessed by the Chief Financial Officer on an as needed basis.

8. Related documents

N-11000-PL1789 – Policy – Safety Case Levies

N-11000-PL1790 – Policy – Well and Well Activity Levies

N-11000-PL1791 – Environment Plan Levies