THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

OFFSHORE PETROLEUM (REPEALS AND CONSEQUENTIAL AMENDMENTS) BILL 2005

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane, MP)
GENERAL OUTLINE

This Bill is part of the package of Bills intended to enable the passage of a rewritten version of the Petroleum (Submerged Lands) Act 1967 and incorporated Acts.


Additionally, 30 other Commonwealth Acts have been identified as requiring consequential amendments if the Offshore Petroleum Bill becomes law. These Acts refer to provisions of the Petroleum (Submerged Lands) Act, either to avoid conflict with that Act or because they confer rights, make prohibitions or impose obligations under different areas of law on persons who are physically in the geographic areas that are covered by the Petroleum (Submerged Lands) Act. These areas of law include, for example, taxation and immigration.

The consequential amendments to these Acts proposed by this Bill are mostly straightforward substitutions of terminology and references to schedules, parts and sections that appear in the Offshore Petroleum Bill. Some of the amendments are more elaborate, for example because of a need to insert a transitional provision in the Act being amended. These are discussed in greater detail in the notes on individual clauses.

FINANCIAL IMPLICATIONS

The consequential amendments in this Bill are intended, among other things, to preclude any possibility of financial implications, or net effects on the Budget, flowing from the creation of a new Act to replace the Petroleum (Submerged Lands) Act 1967, especially where the consequential amendment relates to a taxing Act.

NOTES ON INDIVIDUAL CLAUSES

Clause 1 - Short title

This clause is a standard provision setting out the title by which the proposed Act is to be cited if it becomes law.

Clause 2 – Commencement

This clause provides that clauses 1 to 3 would commence on Royal Assent to this Bill. Schedules 1, 2 and 3 which set out the relevant repeals and consequential amendments, would commence together with the bulk of the provisions in the Offshore Petroleum Bill. This is to be on a date fixed by proclamation. However, a
separate proclamation of the Offshore Petroleum (Repeals and Consequential Amendments) Act would not be required.

Clause 3 - Schedule(s)

This clause is a standard provision bringing into effect the repeals and amendments of the various Acts mentioned respectively in Schedules 1 and 2.

Schedule 1—Repeals

Items 1, 2, 3 and 4 - The whole of the Act


One other Act is relevant to this legislation, namely the Offshore Petroleum (Safety Levies) Act 2003. This Act is not being repealed, as it was quite recently passed and satisfies the same editorial requirements as the four proposed Acts named above. However, it is being amended by a separate Bill, namely the Offshore Petroleum (Safety Levies) Amendment Bill 2005.

Schedule 2—Consequential amendments

Items 2-9, 12-21, 25-31, 33, 36, 38, 39, 44-52, 54-61, 63-70, 72-76, 78, 79, 81-88, 92, and 97-116

A number of Commonwealth Acts have been identified that require consequential amendments if the Offshore Petroleum Bill becomes law. These Acts refer to provisions of the Petroleum (Submerged Lands) Act, either to avoid conflict with that Act or because they confer rights, make prohibitions or impose obligations under different areas of law on persons who have a presence in the geographic areas that are covered by the Petroleum (Submerged Lands) Act. These areas of law include, for example, taxation and immigration.

For most of the amendments to Acts proposed by this Schedule, the detailed reasons why the Act requires consequential amendment are straightforward and include one or more of the following:

- the Act mentions the title of the Petroleum (Submerged Lands) Act 1967, which must be updated to become a mention of the proposed Offshore Petroleum Act 2005;

- the Act mentions an “adjacent area” or “adjacent areas”, which must be converted to “offshore area” or “offshore areas”, as these are the new terms;
- the Act refers to provisions of section 5A of the Petroleum (Submerged Lands) Act, which sets out detailed definitions of the various “adjacent areas”: this content is now to be in section 7 of the proposed Offshore Petroleum Act, which therefore needs to become the new section reference;

- the Act mentions the areas described in Schedule 2 to the Petroleum (Submerged Lands) Act: this content is now to be in Schedule 1 to the proposed Offshore Petroleum Act, which therefore needs to become the new Schedule reference; or

- the Act mentions “lease area”, “licence area”, or “licensee”, defined terms in the Petroleum (Submerged Lands) Act for which the equivalents in the proposed Offshore Petroleum Act are to be respectively “retention lease area”, “production licence area” or “production licensee”.

In items 2-9, 12-21, 25-31, 33, 36, 38, 44-52, 54-61, 63-70, 72-76, 78, 79, 81-88, 92 and 97-116 of this Schedule, appropriate updating amendments are accordingly made, in some cases with small editorial changes to the relevant sections of the Act being amended. Where made, these editorial changes are proposed for reasons of improved clarity.

The remaining items of this Schedule are individually discussed below. With some exceptions (notably the first item), they mostly propose consequential amendments that have the same bases as the ones mentioned above but the items take account of some complicating factor, such as a transitional issue of timing.

Administrative Decisions (Judicial Review) Act 1977

Item 1 - At the end of clause 2 of Schedule 3

Decisions of the National Offshore Petroleum Safety Authority (NOPSA) and OHS inspectors under the proposed Offshore Petroleum Act in relation to Commonwealth waters will be subject to judicial review by the Federal Court under the Administrative Decisions (Judicial Review) Act 1977 (‘AD(JR) Act’).

In the interests of achieving a nationally-uniform offshore OHS regime, the Australian Government has proposed that all decisions of NOPSA and OHS inspectors be reviewable under the AD(JR) Act, including decisions where NOPSA or an OHS inspector is performing functions or exercising powers conferred by a State or Territory Petroleum (Submerged Lands) Act in State/Northern Territory designated coastal waters.

Section 3 of the AD(JR) Act provides that the term ‘decision to which this Act applies’ includes a decision of an administrative character made:

“(b) by a Commonwealth authority or an officer of the Commonwealth under an enactment referred to in paragraph (ca) or (cb) of the definition of enactment”

NOPSA is a ‘Commonwealth authority’ as defined in section 3 of the AD(JR) Act. ‘Officer of the Commonwealth’ is defined in section 3 as having the same meaning as in paragraph 75(v) of the Constitution. OHS inspectors, who are appointed under the
Commonwealth legislation, will be ‘officers of the Commonwealth’ within the meaning of paragraph 75(v) of the Constitution, when performing State or Territory functions.

Paragraphs (ca) and (cb) of the definition of enactment read:

“(ca) an Act of a State, the Australian Capital Territory or the Northern Territory, or a part of such an Act, described in Schedule 3; or

(cb) an instrument (including rules, regulations or by-laws) made under an Act or part of an Act covered by paragraph (ca).”

Schedule 3 to the AD(JR) Act sets out State and Territory laws that form part of various cooperative legislative schemes.

Inasmuch as Victoria, Queensland, Tasmania and the Northern Territory have agreed the decisions of NOPSA and OHS inspectors, in relation to their designated coastal waters, should be subject to the Commonwealth AD(JR) Act, this item proposes that the Petroleum (Submerged Lands) Acts of those jurisdictions be listed in Schedule 3 of the AD(JR) Act.

Coastal Waters (Northern Territory Powers) Act 1980

Item 10 - Subsection 3(1) (definition of adjacent area in respect of the Territory)

Subsection 3(1) of the Coastal Waters (Northern Territory Powers) Act 1980 contains the following definition:

“adjacent area in respect of the Territory means the area the boundary of which is described under the heading referring to the Territory in Schedule 2 to the Petroleum (Submerged Lands) Act 1967 as in force immediately before the commencement of this Act.”

As this definition of an area is tied to an area described in Schedule 2 of the Petroleum (Submerged Lands) Act as in force at a particular point in time, and there have been amendments to that area description since then, this item merely amends this subsection in the Coastal Waters (Northern Territory Powers) Act to recognise that the Petroleum (Submerged Lands) Act will become a repealed Act if and when the amendments in this Bill take effect.

Coastal Waters (State Powers) Act 1980

Item 11 - Subsection 3(1) (definition of adjacent area in respect of the State)

This item proposes a similar amendment in respect of the Coastal Waters (State Powers) Act 1980 as does item 10 in respect of the Coastal Waters (Northern Territory Powers) Act 1980, and for a similar reason.

Excise Tariff Act 1921
Items 22, 23 and 24 - Subsection 3(1) (definition of excluded liquid petroleum area); Subsection 3(1) (definition of exploration permit); Subsection 3(1) (definition of production licence)

As an incidental correction, item 22 proposes repeal, in subsection 3(1) of the Excise Tariff Act 1921, of the definition “excluded liquid petroleum area” because this term is now used nowhere in that Act.

Since the definitions of “exploration permit” and “production licence” in subsection 3(1) of the same Act are there only for the purposes of the definition of “excluded liquid petroleum area”, these definitions are also proposed for repeal. (It is unnecessary to define those terms for purposes of the definition of “Resource Rent Tax area” since that definition makes it clear that the terms used in that context derive their meanings from the Petroleum Resource Rent Tax Assessment Act 1987).

Gas Pipelines Access (Commonwealth) Act 1998

Items 32 and 34 - Section 9; Section 10

Section 9 of the Gas Pipelines Access (Commonwealth) Act 1998 reads as follows:

“If this Act applies in the adjacent area in respect of a State or of the Northern Territory because of the operation of subsection 9(1A) or 11(1A) of the P(SL) Act:

(a) the Gas Pipelines Access Law also applies in that adjacent area as a law of the Commonwealth; and

(b) as so applying may be referred to as the Gas Pipelines Access (Commonwealth) Law.”

Section 10 of the Gas Pipelines Access (Commonwealth) Act reads as follows:

“If this Act applies in the adjacent area in respect of a State or of the Northern Territory because of the operation of subsection 9(1A) or 11(1A) of the P(SL) Act:

(a) the Gas Pipelines Access Regulations also apply in that adjacent area as regulations in force for the purposes of the Gas Pipelines Access (Commonwealth) Law; and

(b) as so applying may be referred to as the Gas Pipelines Access (Commonwealth) Regulations.”

Subsections 9(1A) and 11(1A) of the Petroleum (Submerged Lands) Act are now encapsulated in clause 69 of the Offshore Petroleum Bill. Accordingly, this is to be the new section reference in both sections 9 and 10 of the Gas Pipelines Access (Commonwealth) Act.

Item 35 - Subsection 11(1)

Subsection 11(1) of the Gas Pipelines Access (Commonwealth) Act reads as follows:
“If, because of the operation of subsection 9(1) or 11(1) of the P(SL) Act, the gas pipelines access legislation of a State or of the Northern Territory also applies, as a law of the Commonwealth, in the adjacent area in respect of that State or Territory, then:

(a) subject to subsection (2), any act or thing done, including an act or thing that is taken to have been done, for the purposes of the gas pipelines access legislation of that State or Territory, is taken also to be done or to have been done for the purposes of that legislation as so applying; and

(b) subject to subsection (3), that legislation as so applying is to be administered by the same persons or bodies, and in the same manner, as that law is administered within the limits of the State or Territory.”

Subsections 9(1) and 11(1) are now encapsulated in subclause 59(1) of the Offshore Petroleum Bill. Accordingly, this is to be the new section reference in subsection 11(1) of the Gas Pipelines Access (Commonwealth) Act.

*Historic Shipwrecks Act 1976*

**Item 37 - Subsection 3(5)**

Subsection 3(5) of the *Historic Shipwrecks Act 1976* reads as follows:

“For the purpose of this Act, and of any Proclamation under this Act (whether made before or after the commencement of this subsection), the waters adjacent to the coast of a State or of the Northern Territory shall be deemed to comprise so much of the waters within the area the boundary of which is described under the heading referring to that State or Territory in Schedule 2 to the *Petroleum (Submerged Lands) Act 1967* as in force immediately after the commencement of Part II of the *Petroleum (Submerged Lands—Miscellaneous Amendments) Act 1981* as are within the outer limit of the continental shelf of Australia.”

As this provision is tied to an area described in Schedule 2 of the *Petroleum (Submerged Lands) Act 1967* as in force at a particular point in time, and there have been amendments to that area description since then, this item merely amends this subsection in the Historic Shipwrecks Act to recognise that the Petroleum (Submerged Lands) Act will become a repealed Act if and when the amendments in this Bill take effect.

*Income Tax Assessment Act 1936*

**Item 40 - Application—section 6AA of the Income Tax Assessment Act 1936**

The *Income Tax Assessment Act 1936* has application to adjacent areas as described in the Petroleum (Submerged Lands) Act. Items 38 and 39 make straightforward consequential amendments to section 6AA of that Income Tax Assessment Act to convert a mention of the Petroleum (Submerged Lands) Act to a mention of the proposed Offshore Petroleum Act and mentions of “adjacent area” to “offshore area”.
The contents of item 40 will not appear in section 6AA of the Income Tax Assessment Act but, as a transitional provision, this item clarifies that the amendments made by items 38 and 39 to that section apply in relation to events that occur, and circumstances that arise, after the commencement of this item.

**Income Tax Assessment Act 1997**

**Item 41 - Paragraph 40-865(1)(b)**

Paragraph 40-865(1)(b) of the *Income Tax Assessment Act 1997* refers to capital expenditure incurred, “in carrying on a business for a taxable purpose, on … obtaining a right to construct or install a transport facility, or part of one, on land owned or leased by another entity or in an adjacent area within the meaning of section 6AA of the *Income Tax Assessment Act 1936*”.

However, section 6AA defines two adjacent areas, ie a “Petroleum Act adjacent area” and an “Installations Act adjacent area”. Therefore, this item not only updates the term “Petroleum Act adjacent area” to “Petroleum Act offshore area” but it also clarifies paragraph 40-865(1)(b) by specifying that it refers to these two separately defined areas.

**Item 42 - Application—paragraph 40-865(1)(b) of the Income Tax Assessment Act 1997**

This item serves a similar purpose in relation to the amendments made to paragraph 40-865(1)(b) of the *Income Tax Assessment Act 1997* as does item 40 in relation to the amendments made to section 6AA of the *Income Tax Assessment Act 1936*.

**International Tax Agreements Act 1953**

**Item 43 - After subsection 3(7)**

The Agreement between the Commonwealth of Australia and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income is set out in a Schedule to the *International Tax Agreements Act 1953*. Paragraph 5 of the Protocol to this Agreement contains the following sentence:

“Without prejudice to the position of the Government of Japan concerning the status in international law of the continental shelf, the Government of Japan agrees that the Government of the Commonwealth may, on income derived by a Japanese resident from or in connection with—

(a) the exploration for petroleum, of an area adjacent to Australia as specified in the Second Schedule to the Petroleum (Submerged Lands) Act 1967—1968, of the Commonwealth; or

(b) the exploitation of petroleum of such an area,
levy tax in accordance with the provisions of the Agreement as if that area were part of Australia as defined in the Agreement and each Contracting State shall apply the provisions of the Agreement accordingly.”

To update this mention of areas described in Schedule 2 to the Petroleum (Submerged Lands) Act to become a mention of the areas described in Schedule 1 to the proposed Offshore Petroleum Act, this item proposes the addition of the new subsection 3(7A) to the International Tax Agreements Act, section 3 being the section of this Act that deals with issues of interpretation.

Navigation Act 1912

Item 53 - Subsection 283K(1)

Subsection 283K(1) of the Navigation Act 1912 reads in part as follows:

“Regulations made by virtue of sections 283D and 283E, orders made under subsection 425(1AA) and directions given under section 283F do not have effect to the extent that they are inconsistent with the Petroleum (Submerged Lands) Act 1967 (including regulations made under that Act and directions given under section 101 of that Act, but not including the provisions of the laws of the States and the Northern Territory applied by that Act)”.

As the direction-making power set out in section 101 of the Petroleum (Submerged Lands) Act is proposed to become a power under clause 305 of the Offshore Petroleum Bill, this item inserts the new section reference into subsection 283K(1) of the Navigation Act.

Offshore Minerals Act 1994

Items 62 and 71 - Subsection 13(1) (note); Schedule 2

Subsection 13(1) of the Offshore Minerals Act is followed by a note which, among other things, refers the reader to Schedule 2 of that Act, which contains a map illustrating offshore areas. This map is now outdated and item 71 accordingly provides for its repeal. Item 62 refers the reader instead to subclause 5(3) of the Offshore Petroleum Bill, which sets out an up-to-date map of offshore areas and scheduled areas. After the amendments proposed by items 59 to 62 inclusive, the note after subsection 13(1) of the Offshore Minerals Act would read as follows:

“The offshore area for the purposes of the Offshore Petroleum Act 2005 is worked out by taking an area off the coast of the State that is described in Schedule 1 to that Act and then excluding all waters within a line 3 nautical miles seaward of the territorial sea baseline and also excluding any areas that are beyond the outer limits of the Continental Shelf. The map in subsection 5(3) of that Act illustrates the offshore areas.”
Petroleum Resource Rent Tax Assessment Act 1987

Items 77, 80, 88, 90, 94, 95 and 96 - Section 2 (definition of excluded fee); Section 2 (definition of holder of a registered interest); Section 3; Paragraph 34A(1)(a); Clause 1 of the Schedule (definition of relevant pre-commencement day); Transitional – pre-commencement events and circumstances; Transitional – section 36B of the Petroleum Resource Rent Tax Assessment Act 1987

Item 77 refers to section 2 of the Petroleum Resource Rent Tax Assessment Act 1987, which contains the following definition:

“excluded fee means an amount of a kind referred to in paragraph 22B(5)(b), 24(1)(b), 26(1)(b), 48(1)(b) or 50(b) of the Petroleum (Submerged Lands) Act 1967.”

These paragraphs all refer to amounts that are payable in situations where a cash-bid is involved in the assessment of applications for exploration permits or production licences. The relevant provisions in the Offshore Petroleum Bill are in paragraph 91(1)(c), subclause 93(5), paragraph 96(1)(c), subclause 150(4) and paragraph 153(1)(c).

Item 80 refers to section 2 of the Petroleum Resource Rent Tax Assessment Act, which also contains the following definition:

“holder of a registered interest, in relation to a production licence, means a person holding an interest in the production licence, being an interest created by a dealing in relation to which an entry has been made under subsection 81(12) of the Petroleum (Submerged Lands) Act 1967.”

The provisions in subsection 81(12) of the Petroleum (Submerged Lands) Act have become subclause 276(3) in the Offshore Petroleum Bill.

Item 89 refers to section 3 of the Petroleum Resource Rent Tax Assessment Act, which reads as follows:

“Where, for the purposes of the Petroleum (Submerged Lands) Act 1967, petroleum recovered from a petroleum pool, within the meaning of that Act, is taken by section 6A of that Act to have been recovered from a particular area or from particular areas in particular proportions, the petroleum shall be taken for the purposes of this Act to have been recovered from that area, or from those areas in those proportions, as the case may be.”

The provisions in section 6A of the Petroleum (Submerged Lands) Act have become a whole Division in the Offshore Petroleum Bill, ie Division 3 of Part 1.2.

Item 90 refers to section 34A of the Petroleum Resource Rent Tax Assessment Act which contains a formula which refers, in paragraph (1)(a), to: “any amount of class 2 general project expenditure actually incurred by the person in relation to the project in the financial year, not being expenditure incurred more than 5 years before the date specified in the notice issued under subsection 41(3) of the Petroleum (Submerged Lands) Act 1967 in relation to the project.”
Subsection 41(3) of the Petroleum (Submerged Lands) Act is also relevant to the amendment proposed by item 94 to clause 1 of the Schedule to the Petroleum Resource Rent Tax Assessment Act, which contains the following definition:

“relevant pre-commencement day, in relation to a petroleum project, means:

(a) if the petroleum project is not a combined project or the Bass Strait project—
the day occurring 5 years before the date specified in the notice issued under
subsection 41(3) of the Petroleum (Submerged Lands) Act 1967 in relation to
the project; or

(b) if the petroleum project is a combined project or the Bass Strait project—the
day occurring 5 years [before ] the earliest date specified in a notice issued
under subsection 41(3) of the Petroleum (Submerged Lands) Act 1967 in
relation to a production licence to which the project relates.”

Subsection 41(3) of the Petroleum (Submerged Lands) Act has become subclause 222(7) in the Offshore Petroleum Bill.

By items 77, 80, 89, 90 and 94 the respective new references are inserted into the abovementioned definitions and provisions in the Petroleum Resource Rent Tax Assessment Act, but the existing references to the Petroleum (Submerged Lands) Act are also retained by item 95. This is because the tax payable in relation to petroleum recovered, etc, before the Petroleum (Submerged Lands) Act ceases to have effect may need to be assessed some time after the new Act comes into effect. Likewise, the registration of an interest under subsection 81(12) or a notice given under subsection 41(3) of the Petroleum (Submerged Lands) Act may become relevant for tax assessment purposes some time after the Petroleum (Submerged Lands) Act ceases to have effect. The new text inserted into the Petroleum Resource Rent Tax Assessment Act by these items will ensure that a person’s liability to pay petroleum resource rent tax in relation to a past recovery of petroleum, etc, will not be affected by the coming into effect of the proposed Offshore Petroleum Act.

Item 96 refers to the fact that, under subsection 38B(1) of the Petroleum Resource Rent Tax Assessment Act, for “the purposes of the definition of designated frontier area, the Minister administering the Petroleum (Submerged Lands) Act 1967 may designate, in writing, up to (and including) 20% of potential exploration permit areas as frontier areas.” Subsection 38B(5) provides that the Minister may, by signed instrument, delegate this power to an SES employee or an acting SES employee in the Minister’s Department.

Item 96 ensures that an instrument made under either of the above provisions before the consequential amendments come into force remains effective without needing to be remade, in its application to events occurring, and circumstances arising, whether before or after that date.

* As at close to the date of introduction of this Bill, the word “before” did not appear in this paragraph of the Petroleum Resource Rent Tax Assessment Act, but a technical legislative amendment had been proposed to insert it.
Schedule 3—Other matters

Clause 1 - Offence against section 96 of the repealed *Petroleum (Submerged Lands) Act 1967*

The explanatory memorandum note to clause 300 of the Offshore Petroleum Bill explains that the maximum 100 unit penalty imposed by section 96 of the Petroleum (Submerged Lands) Act on failure by a titleholder to commence to carry out works or operations within a certain timeframe is now considered inappropriate. This is because it is felt that sufficient administrative remedies, such as title cancellation, exist for failure to comply with the requirement. Clause 300, the equivalent provision in the Offshore Petroleum Bill, therefore carries no criminal penalty.

This Schedule is drafted to provide that section 96, when repealed in common with the rest of the Petroleum (Submerged Lands) Act under this Bill, will be taken always to have had effect as if the penalty to that section had never been enacted. The effect of this deeming is that a breach of section 96 will be taken to never have been an offence (section 4D of the *Crimes Act 1914* provides that a penalty at the foot of a section indicates that a breach of the section is an offence).

This Schedule is included so that any past breach of section 96 that could otherwise lead to a criminal conviction after the repeal of the Petroleum (Submerged Lands) Act will not lead to a prosecution or a conviction. It will also relieve persons from any civil consequences that may otherwise have arisen from the existence or possible existence of an offence against section 96.