

EXPLANATORY STATEMENT

Select Legislative Instrument 2010 No. 330

Subject *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Act 2003*

Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Amendment Regulations 2010 (No. 2)

Section 11 of the *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Act 2003* (the Safety Levies Act) provides that the Governor-General may make regulations for the purposes of sections 5, 6, 7 and 8 of the Safety Levies Act.

The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* provides the legal framework for the exploration and recovery of petroleum and for the injection and storage of greenhouse gas substances in offshore areas. This Act is administered jointly by the Commonwealth Government and the state and Northern Territory governments and provides for a range of administrative decisions to be made in relation to petroleum and greenhouse gas titles.

The Safety Levies Act imposes safety investigation levies and safety case levies in relation to offshore petroleum and greenhouse gas facilities. Safety case levies are collected by the safety regulator for the upstream petroleum and greenhouse gas storage sectors, the National Offshore Petroleum Safety Authority (NOPSA), which collects the levies in order to fund its operations on a cost-recovery basis.

The safety case levy imposed by the Safety Levies Act is calculated in accordance with the provisions of the *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Regulations 2004* (the Principal Regulations). Among other things, the Principal Regulations set out a “unit value” and “SMS amount” (where “SMS” means “safety management system”), by reference to which a safety case levy is calculated.

The *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Amendment Regulations 2010* (the Amendment Regulations) amended the Principal Regulations to:

- Increase the unit value amount from \$26,000 to \$29,000;
- Increase the SMS amounts for facilities other than mobile facilities from \$125,000 to \$140,000; and
- Increase the SMS amounts for mobile facilities from \$80,000 to \$90,000.

These fees were previously amended in 2009 (taking effect from 1 January 2010), prior to which NOPSA had not requested or made any changes to the unit value or SMS amounts since its establishment on 1 January 2005. The levy increase for 2011 ensures that NOPSA has sufficient cash reserves to pay staff and suppliers as and when payments fall due, as well as maintain a reserve to meet any unplanned costs and asset replacements and upgrades. The amendments continue the implementation of staged increases in levies, enabling a gradual reduction to NOPSA’s accumulated surplus and negating the need for substantial levy increases in 2012. The increase represents a price change lower than the annual increases to the Consumer Price Index over the previous five years.

Regulation 39 of the Principal Regulations requires the Chief Executive Officer of NOPSA to meet annually with representatives of the offshore petroleum industry to explain and discuss the cost-effectiveness of NOPSA's operations. NOPSA held the required meeting on 29 October 2010, at which the details of and rationale for the proposed levy increase were discussed with industry representatives. Industry representatives did not express any concerns with the proposed levy increase during the consultation process.

In addition, NOPSA prepared an addendum to its 2008 Cost Recovery Impact Statement, which outlined the rationale for the levy increase and stakeholder consultation processes. A copy of the addendum is available at <http://www.nopsa.gov.au/document/Addendum%20to%20the%202008%20Cost%20Recovery%20Impact%20Statement.pdf>.

The Amendment Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Amendment Regulations commence on 1 January 2011.