



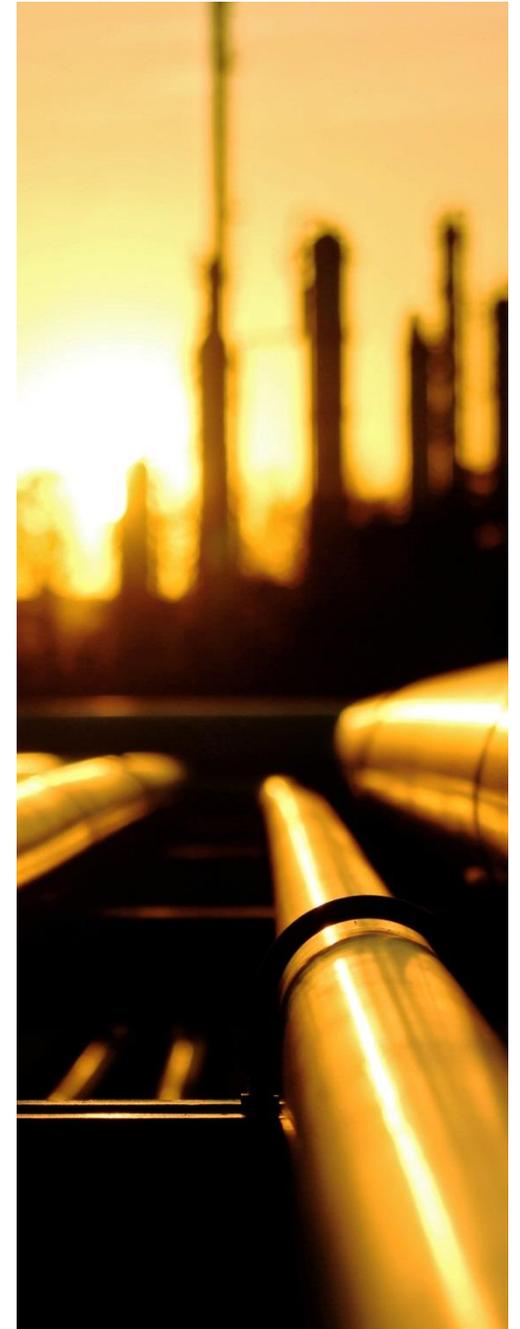
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Changes to offshore decommissioning regulation

What it means now and for the future

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Overview of session



Overview of Australia's existing regulatory regime for decommissioning operations

Reforms to the regulatory regime for decommissioning operations

What's next in this space?

Implications for industry

Why are we talking about decommissioning?

**\$52 - \$76 billion –
estimated cost to
decommission wells
and associated
infrastructure**

**60% of
decommissioning to
take place offshore
Western Australia**

**57 platforms, 11
floating facilities,
6700km of pipelines,
500 subsea
structures, 1000 wells**

**High proportion of
spend in the next
decade**

Why are we talking about decommissioning?

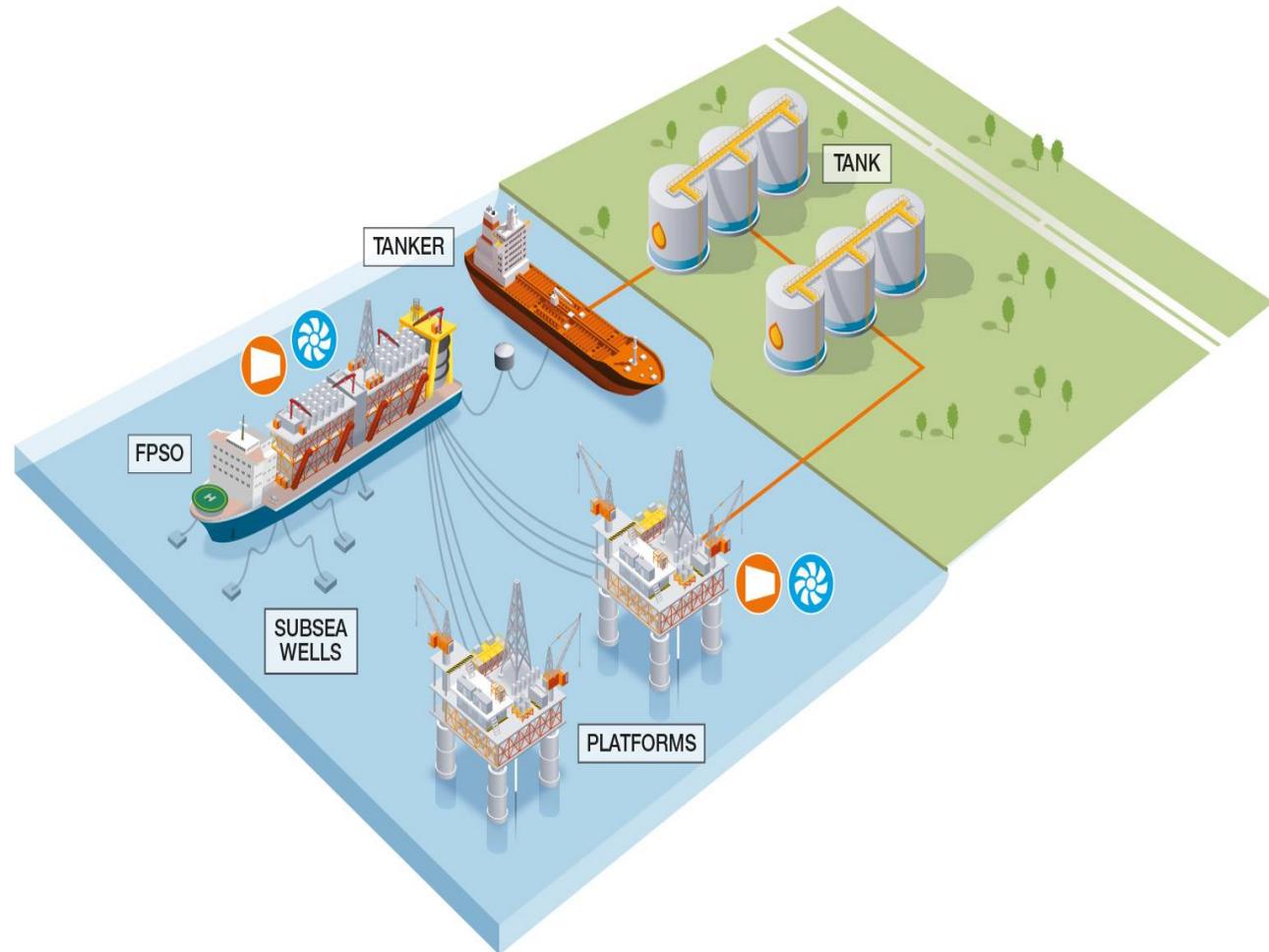
- No material changes to Australian decommissioning laws since the 1960's.
- Reform process accelerated by NOGA.
- Material capital costs to be incurred in the near term.
- Maturing industry.
- Regulatory changes do not modify the base proposition that titleholders are responsible for decommissioning.
- Regulatory changes will have flow on impacts to the industry.
- Have the measures achieved the right balance?

Overview of the existing regime



What is decommissioning?

- Final phase of an offshore petroleum project.
- Removal or other treatment of a petroleum installation at the end of its useful life.
- Traditionally conducted at end of field life.
- Works can be incremental.



Overview of existing regulatory regime



Sources of law

- *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth) and associated regulations*
- International Conventions
- *Environmental Protection (Sea Dumping) Act*

OPGGSA / regulations

- A titleholder must remove from the title area all structures that are, and all equipment and other property that is, neither used nor to be used in connection with the operations.
- Joint Authority cannot agree to surrender of a title if property remains within the title.
- The base case for decommissioning activities is complete removal of infrastructure.
- Partial in-situ removal considered on a case by case basis.
- Core legislative provisions are supplemented by directions powers (NOPSEMA and the Cth Minister).
- Permissioning documents – EP (ALARP), Safety Case, WOMP, FDP, OPP

Regulatory reforms – what's changed?

- Reform process kicked off in 2018. Amending legislation introduced in 2021.
- Objective to develop a modern fit for purpose regime, that can withstand increased decommissioning activity and clearly outlines the obligations imposed on the oil and gas sector.
- Provide the regulators with a greater oversight of former, current and future titleholders of offshore oil and gas titles.
- Key changes on the following areas:
 - titleholder suitability criteria;
 - change in control approvals;
 - trailing liability; and
 - early planning for decommissioning.



Applicant suitability criteria



Amendments introduce numerous opportunity for regulators to assess the suitability of titleholders at various stages in the lifecycle of a project.

Application type

Transfers

Change of control (20% control threshold)

Initial grant of various titles

Renewal of titles

Suspension, exemption or variations on conditions of title

Accountability and trailing liability

“You can check-out any time you like, but you can never leave”

- Expanded government’s existing powers to ‘call back’ a person to undertake decommissioning and other remedial activities – referred as ‘trailing liability’.
- Applies to all titles current as at 1 January 2021.
- Remedial directions can be issued to:
 - current and former titleholders; and
 - their related bodies corporate and related persons at the time the title was in force.
- Titles that ceased to exist prior to 1 January 2021, will continue to be governed by the trailing liability provisions that existed pre-2 March 2022.

Proactive decommissioning

Early planning

- Titleholders to plan for decommissioning at early stages of project development
- Decommissioning plans / permissioning documents to be regularly updated and matured throughout the life cycle of a project

Remedial directions

- Progressive decommissioning – property with no further use should be decommissioned and should not be deferred
- Early and proactive use of remedial directions by regulator

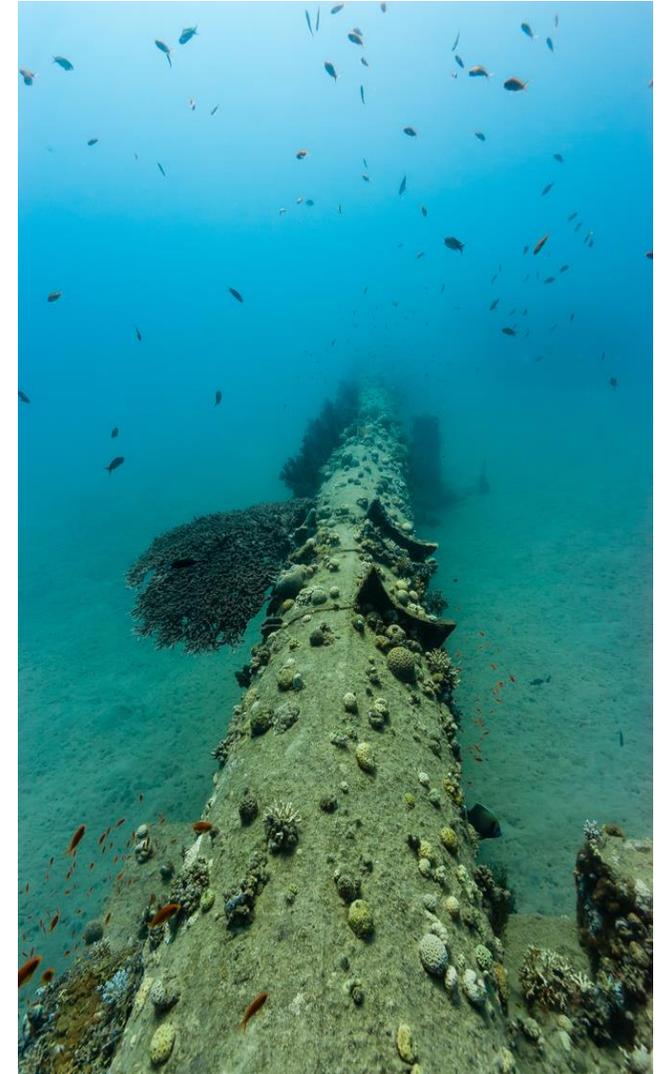


What's next in this space?



Further reforms expected – Financial assurance

- Greater level of financial assurance from titleholders
- S. 571 OPGGSA – NOPSEMA to expand its monitoring and compliance of titleholder duties
- Changes to be implemented through policy and guidance materials
- Bonds / securities to be accessible to government / third parties
- NOPSEMA to determine form of financial assurance
- Will the new offshore wind model be introduced to offshore petroleum?

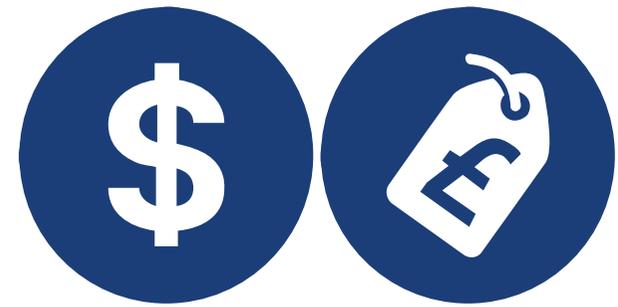


Further reforms expected – Planning for decommissioning

- Requirements for Field Development Plans to be modernised
- Mandatory reviews to be introduced through the life cycle of a project
- Will we see a stand alone decommissioning plan?



Implications for industry (1)



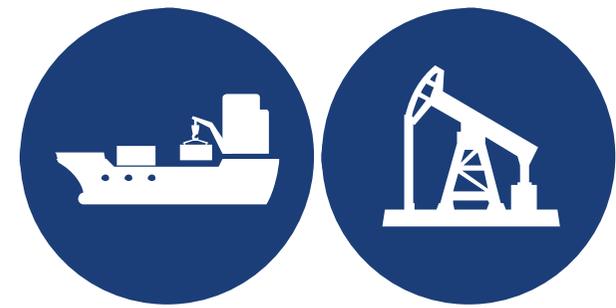
M&A implications – transaction timing

- Government approval required for direct and indirect transfers.
- Increased regulatory scrutiny of these transactions.
- Impact on transaction timetables.

No “clean exits”

- Trailing liability removes ability to achieve a clean exit.
- Current and former titleholders will need to manage their exposures under the trailing liability regime.
- Indemnity Agreements, financial assurance etc.

Implications for industry (2)



Co-venturer / insolvency risk

- Joint and several liability for decommissioning
- Heightened focus on financial capability of co-venturers (incoming and existing)
- Increased risk of title non-compliance / good standing issues resulting from financial/technical checks

Financial assurance / locking up capital

- Potential for multiple levels of financial assurance obligations
- Unnecessary locking up of capital?
- Impact on investment activity?
- Likely to have a greater impact on smaller industry players

Implications for industry (3)



Planning for decommissioning

- Estimating decommissioning costs is not an exact science – difficult to value
- Is decommissioning capability yet in full supply? Supply challenges?
- Added scrutiny of early planning for decommissioning / increased compliance risk
- Burgeoning industry / increased opportunities

Acceleration of decommissioning

- Decommissioning rather than repurposing?
- Decommissioning to be brought forward?
- Low price environments – crystallizes decommissioning costs

Thank you and acknowledgements



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Questions?