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Enhanced offshore oil and gas decommissioning framework

The Australia Institute welcomes the opportunity to make a submission on the consultation paper for the Department of Industry, Science, Energy and Resources' *Enhanced offshore oil and gas decommissioning framework*.

Overall, the Institute is supportive of the framework and the proposals in the consultation paper and make the following further comments.

The overview section states:

As the industry continues to mature, large companies may move to divest their mature assets to focus on areas of new production potential. Australia can expect to see new entrants to the industry—smaller companies or joint ventures who bring a fresh perspective and a different risk profile. As this transition occurs, government will focus on appropriate stewardship and management of the resource, robust technical and financial capacity of operators and the planning for decommissioning.

“Fresh perspective and a different risk profile” are euphemisms for less reliable companies that will be more likely to transfer risks onto taxpayers, workers and the environment. It is the risks to the community and the environment that the government and regulators should be focused on minimising, not merely managing. These “transitions” are not inevitable and in many cases not desirable.

It is important to remember that the offshore oil and gas industry, particularly newer, export-oriented projects, provide minimal economic benefit to the Australian community. Oil and gas extraction employs between 25,000 and 30,000 people, just two in every thousand workers.¹ Australian Tax Office data shows that Petroleum Resource Rent Tax collections have been declining while oil and gas majors such as Chevron, ExxonMobil, Conoco Philips and Santos pay minimal company tax.² The industry is overwhelmingly foreign owned, meaning few profits are retained in Australia.

Gas companies also receive government assistance, such as the billions committed to Eni's Blacktip project by the NT government, or the \$60 million paid to Chevron for its rarely-

¹ ABS (2020) 6291.0.55.003 *Labour Force, Australia, Detailed, Quarterly. Table 06. Employed persons by Industry sub-division of main job (ANZSIC) and Sex*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/oct-2020>

² ATO (2020) *Corporate tax transparency*, <https://www.ato.gov.au/Business/Large-business/Corporate-tax-transparency/>



functioning carbon capture and storage scheme.³ Such subsidies detract further from the already meagre economic benefits to the community. Considering the climate impacts of the industry, it is doubtful that recent developments represent a net benefit to the Australian community.

The overview section also describes the debacle of the Northern Endeavour as an “unprecedented event in Australia’s offshore industry”. While there may be no precedent offshore, there is more than a century of precedents onshore. Australia endures 60,000 abandoned mine sites and while many are legacy sites, modern mines are abandoned every year in Australia.⁴ The Linc Energy disaster in Queensland shows that the oil and gas sector contributes to this problem.⁵

Particularly welcome is the discussion paper’s call for greater transparency. The Northern Endeavour issue would be a good place to start. Information on the costs to the taxpayer of its abandonment is not being released transparently, with the Federal Budget Papers declaring these sums ‘not for publication’.⁶ With reports of these costs going into the hundreds of millions, the public has every right to know how much they are paying for the actions of Woodside.⁷ The framework should ensure that such data is made public in an easily accessible form.

Furthermore, consideration should be put into making more information about offshore projects available. Including, data on production status, production levels, spills and environmental impacts and carbon emissions should be provided. Data on taxes paid by project, or at least by company, should also be provided. Public trust in the offshore industry could be increased if data was available in a form accessible to the public, non-specialist researchers, journalists and policy makers.

A final point on transparency is the irony that the Walker Review itself was released under Freedom of Information, rather than with a public launch. A crucial part of the report dealing with “missed opportunity” still remains redacted. Public trust in the industry and its

³ Campbell (2020) *Fracking and slacking: NT Government subsidies to onshore oil and gas*, <https://australiainstitute.org.au/wp-content/uploads/2020/12/P886-Fracking-and-slacking-NT-government-assistance-to-onshore-gas-Web.pdf>; Cox (2021) *Western Australia LNG plant faces calls to shut down until faulty carbon capture system is fixed*, <https://www.theguardian.com/environment/2021/jan/15/western-australia-lng-plant-faces-calls-to-shut-down-until-faulty-carbon-capture-system-is-fixed>

⁴ Unger et al (2012) *Mapping and Prioritising Rehabilitation of Abandoned Mines in Australia*, https://www.researchgate.net/publication/236900961_Mapping_and_Prioritising_Rehabilitation_of_Abandoned_Mines_in_Australia; Campbell et al (2017) *Dark side of the boom. What we do and don’t know about mines, closures and rehabilitation*, <https://australiainstitute.org.au/report/dark-side-of-the-boom/>

⁵ Queensland Government (2021) *Linc Energy*, <https://environment.des.qld.gov.au/management/monitoring/locations-of-interest/hopeland/linc-energy>

⁶ Campbell (2020) *Not for publication: declining transparency in the federal budget*, <https://australiainstitute.org.au/report/not-for-publication/>

⁷ Milne (2020) *Northern Endeavour debacle hits \$209M with much more to come*, <https://www.boilingcold.com.au/northern-endeavour-debacle-hits-209m-with-much-more-to-come/>

regulators would be enhanced if reports like this were published in a timely and unredacted fashion.

The discussion paper proposes to backdate legislative changes to 14 December 2020. We recommend backdating further to hold Woodside to account for the Northern Endeavour disaster. If this is not possible, some public explanation should be provided as to why.

We support the proposed measures to increase oversight and better transparency around company control and to increasing financial assurance requirements.

We support the proposal to bring in stronger trailing liability provisions. It is unclear that the option recommended in the discussion paper is the one that maximises benefit to the Australian community. Maintaining a standing liability would, in our view, provide stronger protection for the public interest than expanding 'call back' provisions. The discussion paper's claim that this would impact investment is not supported by any analysis. Given the minimal public benefit from investment in offshore projects and the risks shown by Northern Endeavour, impact on investment should not be a primary concern of government and regulators.

We would be happy to expand on this submission.

Regards

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