

Oil and gas industry fights Morrison government levy of up to \$1bn to decommission rig

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Federal budget revealed plans to levy industry to decommission Northern Endeavour in the Timor Sea and remediate associated oilfields

Offshore oil and gas producers are fighting a Morrison government decision to impose a levy on the entire industry to fund a potential \$1bn remediation of a floating rig and associated fields in the Timor Sea formerly operated by Woodside Petroleum.

Other options put forward by the industry's peak body, the Australian Petroleum Production & Exploration Association (Apea), include taxpayers footing the bill by using unspent petroleum resource rent tax credits.

In Tuesday's budget, the government said it would levy the industry for as long as it took to pay the cost of decommissioning the rig, the Northern Endeavour, and remediating the Laminaria and Corallina oilfields in which it operated.

It did not disclose the total cost of the project, citing "commercial sensitivities", but estimates range from \$200m to as much as \$1bn.

Laminaria-Corallina and the Northern Endeavour belonged to Woodside until 2016 when the company sold the ageing fields and rig to Northern Oil & Gas Australia (Noga), a company owned and controlled by businessman Angus Karoll, for an amount small enough that it did not have to be disclosed to Woodside's shareholders.

Part of the fields sit across the politically contentious boundary with Timor-Leste. When undersea boundaries were [renegotiated](#) in 2018 following a scandal in which Australian spies allegedly bugged the offices of Timorese officials, 18% of the fields were transferred to Timor-Leste.

In July 2019, the floating rig was shut down by the National Offshore Petroleum Safety and Environmental Management Authority (Nopsema) after a 4kg pipe fell on to its deck.

Noga collapsed into administration in September 2019 and the government took control of the Northern Endeavour, putting it into a state of care and maintenance called "lighthouse mode".

On Tuesday, the government said it would "impose a temporary levy on offshore petroleum production to recover costs of decommissioning the Laminaria-Corallina oil fields and associated infrastructure".

"This will ensure taxpayers are not left to pay for the decommissioning and remediation," it said in budget papers.

Budget papers show the government has given an unlimited indemnity to the company it has hired to prepare the Northern Endeavour for decommissioning “against any pollution or loss of well control ... except to the extent caused by Upstream PS’s gross negligence or wilful misconduct”.

The levy proposal has caused anger among offshore oil and gas companies that do not want to contribute to the cost of remediating a facility formerly operated by Woodside.

“Appea maintains a levy is unreasonable and a disincentive for investment at a time when policy stability and certainty is critical,” a spokesperson for the organisation said.

He said other options should be explored including disconnecting the Northern Endeavour from its undersea drills so it could be sold and leaving remediation of the seabed until later so that it could be done with other works.

“We would also like to ensure that all options regarding the availability of PRRT credits are fully explored because this could help defray the actual costs of decommissioning,” he said.

Asked if Woodside should foot the bill, as environmental activists have [previously proposed](#), he did not rule out the idea.

“There are a number of other options the government has not yet fully investigated and we ask that they do so instead of hitting up an entire industry,” he said.

The Appea spokesperson said the industry was committed “to the sensible development of a new decommissioning policy framework” to avoid future issues.

A Woodside spokesperson said the company was not responsible for the clean-up bill and opposed an industry-wide levy.

“We acknowledge there is an obligation to protect the taxpayer and the wider community, but the responsibility lies with the current asset owner, which is Noga,” she said.

She said Woodside sold the asset in a “commercial, arm’s length transaction ... in compliance with the law”.

The crossbench senator Rex Patrick, who has repeatedly raised concerns about the Northern Endeavour, said he estimated the cost of remediation at \$1bn.

“I warned the commonwealth they would be left holding the can,” he told Guardian Australia. “They said, ‘No senator, we won’t.’”

He said Nopsema had acted too quickly to shut down the facility but the industry as a whole had only itself to blame.

The Wilderness Society campaigner Jess Lerch said the group “supported the government commandeering the Northern Endeavour because the alternative was to have it rust and fall into the ocean, potentially creating a giant oil spill”.

“But we supported it on the proviso that industry would have to fully reimburse the taxpayer,” she said. “The idea expounded by Appea, that taxpayers should clean up the industry’s messes, like this one, is abhorrent.”

Lerch said Appea’s own estimate of \$60bn in remediation costs falling due over the next 30 years showed the problem was much bigger than just one facility. “Appea itself provided submissions to the government back in 2018 arguing against the precise regulatory measures needed to prevent just this situation,” she said.