

**Submission to Productivity Commission**  
**Draft Report on Review of Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector**  
**From Nexus Energy Limited**  
**January 2009**

## **Introduction**

Nexus Energy provided a submission to the Review of Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector in August 2008 and welcomes the opportunity to provide additional comment on the Draft Report on the Review.

## **Company Background**

Nexus Energy Limited is a Melbourne-based, Australian Stock Exchange listed oil and gas company (ASX:NXS). In 2007 Nexus entered the ASX200 following a period of exceptional growth driven by the company's value adding asset strategy. 2009 looms as an important year in the company's history as it makes the transition from explorer to producer.

The company has assembled a portfolio of high quality assets, in two key regions:

- Gippsland Basin, offshore Victoria; and
- Browse Basin, off the north west coast of Western Australia;

The current key focus for Nexus is the development of the Longtom gas project (Nexus 100%) in the Gippsland Basin with first production scheduled for the middle of 2009, followed by the Crux liquids project (Nexus 85%) in the Browse Basin which is scheduled to commence production in late 2010. These assets have provided Nexus with experience in the three jurisdictions of Victoria, Western Australia and the Northern Territory.

## **Comments on Draft Report**

Nexus would like to compliment the Commission on its Draft Report as much of the Draft Report reflects Nexus' views regarding the regulatory burden faced by the sector, and Nexus' views regarding potential measures to reduce these regulatory burdens.

Consequently, the following comments are focused on draft recommendations where Nexus seeks further refinement and clarification. Where there is no comment on a specific draft recommendation, then it can be assumed that Nexus supports that draft recommendation.

#### **DRAFT RECOMMENDATION 6.1**

*Specific measures to improve the operation of the Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)(EPBC) include:*

- *developing bilateral assessment and approval agreements between the Department of Environment, Water, Heritage and the Arts and the Designated Authorities to avoid the potential for duplication in environmental submissions and to streamline approvals for routine activities where a State or Territory has developed adequate local expertise and knowledge*

Nexus strongly supports the reduction of the current duplication between the EPBC and the *Offshore Petroleum and Greenhouse Gas Storage Act*, (OPGGs Act) as indicated in the Nexus submission to the independent review of the EPBC available at <http://www.environment.gov.au/epbc/review/submissions>.

In this submission, Nexus indicated that the Commonwealth should consider utilizing provisions in the EPBC Act that allows the Commonwealth Environment Minister to recognise the environmental assessments undertaken on behalf of the Commonwealth by the Minister for Resources and Energy.

This should particularly be the case for exploration activities. Since the commencement of the EPBC Act, there have only been three decisions that a seismic exploration activity was a controlled action and required further assessment under the EPBC Act. The case for mutual recognition is even stronger for offshore exploration drilling activities. Each year the industry drills, on average, around 60 new exploration wells, refers a majority of these for assessment under the EPBC Act and for all but a few since the commencement of the Act, has received a “not controlled” determination.

The industry is also required to prepare extensive and detailed Environment Plans under the OPGGS Act Management of Environment Regulations, for assessment by a team of dedicated, experienced and highly specialised regulators. Recognition under the EPBC Act of the approval of these plans, as well as ongoing monitoring and reporting requirements by the Delegated Authority under the OPGGS Act will reduce regulatory duplication.

#### **DRAFT RECOMMENDATION 6.4**

*Governments should actively manage and release information obtained by proponents as a condition of environmental approvals to enhance the public stock of environmental information and to assist in streamlining future approvals.*

A certain amount of environmental information exchange already occurs between companies. If this can be more formalized, similar to the existing government managed geoscience data open file system, but in a simpler way without the requirement for complex data management plans, it should be encouraged.

#### **DRAFT RECOMMENDATION 10.6**

*The Australian Government should establish a new national offshore petroleum regulator in Commonwealth waters, with regulatory responsibility for resource management, pipelines and environmental regulation. It should have the following functions:*

- *administration of exploration permit, production and pipeline licensing — it would process applications, prepare advice and make recommendations to the Commonwealth Minister for resources*
- *administration and approval of production, well construction and drilling, and pipeline consents — it would have the authority to approve consents for these activities.*

*The new national offshore petroleum regulator should also incorporate the National Offshore Petroleum Safety Authority, which would continue to regulate offshore petroleum occupational health and safety*

Whilst it is ultimately a matter for Government to determine the most appropriate administrative structure for regulating the industry, Nexus supports a model that reduces regulatory burden in an efficient and effective manner as outlined in the previous Nexus submission.

#### **DRAFT RECOMMENDATION 10.9**

*The current full cost recovery model used for the National Offshore Petroleum Safety Authority should be used to fund any new regulatory agency. As with the National Offshore Petroleum Safety Authority, the cost recovery model adopted for a new regulatory agency should be subject to regular review and appropriate governance arrangements.*

Nexus would suggest that appropriate checks and balances are required to ensure that any new national regulator was accountable to both industry and the public in an open and transparent manner. Close industry liaison is required to ensure that appropriate methods of public oversight of expenditure are developed.

Given the current economic conditions and the significant public benefit derived from regulation that ensures the secure provision of energy for Australia, there should be some degree of public funding of the new national regulator and that a full cost recovery model is inappropriate.

Nexus looks forward to continuing to engage with the Productivity Commission in the completion of this review and encourage Government to act in a timely manner to implement these recommendations.