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To: Department of Industry, Science and Resources
Re: Offshore decommissioning and financial assurance reforms

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to the Offshore decommissioning and financial assurance reforms consultation process.

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

The decommissioning of oil and gas infrastructure provides an economic opportunity for the oil and gas sector with up to A$60 billion of offshore petroleum decommissioning activities to be undertaken over the next 30 to 50 years. For this economic opportunity to be realised, greater assurance on the financing of the decommissioning work must be introduced, along with periodic updates on the financing of decommissioning to ensure there is adequate financial cover in the event of any material change to the project. This will provide greater economic certainty for service providers undertaking decommissioning work so they can plan their work with greater clarity.

Kind regards,

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Consultation questions

1. What aspects of international and domestic onshore decommissioning frameworks should Australia consider in its reforms, and why?

Australia should consider reforms to its decommissioning legislation to ensure there is a greater emphasis on financial assurances to provide confidence that companies have sufficient funding to finance their upcoming decommissioning liabilities. Several countries have legislation covering this financial assurance. For example, the UK undertakes regular financial assessments of the operator,[1] and its joint venture partners,[2] in an oil and gas venture throughout the project's life to check whether they have sufficient funding to pay for the decommissioning liabilities at the end of the project. Financial assessments are also undertaken when interests in an oil and gas project are bought or sold.[3] The UK also has a risk rating for each participant in an oil and gas project, which provides guidance for regulators on the level of financial risk associated with future decommissioning work.[4]

However, Norway, which also has an advanced decommissioning sector, has no mandatory requirement to provide financial assurances to finance decommissioning liabilities. Instead, the Ministry of Petroleum and Energy can decide that participants in an oil and gas project provide financial security for all the extractive activities and subsequent decommissioning work.[5]

Enforcement of these rules is equally important. A report from the US Government Accountability Office found that the Bureau of Ocean Energy Management (BOEM) does not effectively ensure operators have the financial and technical capacity to meet decommissioning obligations in the event of delays, bankruptcy or other defaults. Specifically, BOEM held about US$3.5 billion in supplemental bonds to cover US$40 billion to US$70 billion in total estimated decommissioning costs as of June 2023.[6] As a result, the US government remains exposed to billions of dollars in financial risks from decommissioning liabilities if operators do not meet their obligations.

Canada also has an issue with oil and gas companies paying for the C$72 billion in future decommissioning liabilities for oil and gas wells, pipelines and facilities.[7]

Australia should pursue a mandatory requirement for financial assurance, preferably in a form of a bond or an equivalent financial instrument as proposed for renewable energy projects.[8]

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[1] UK Government, Department for Business, Energy & Industrial Strategy. Assessing the financial capability of offshore oil and gas companies to deliver decommissioning obligations. April 2019. Page 3.
[2] Ibid. Page 4.
[3] Ibid.
[4] Ibid. Page 6.
[5] Norwegian Petroleum Directorate. Act 29 November 1996 No. 72 relating to petroleum activities. Chapter 5 and Chapter 10, Section 10-7.
[6] US Government Accountability Office. Offshore Oil and Gas. Interior Needs to Improve Decommissioning Enforcement and Mitigate Related Risks January 2024. Page 26.
[7] IEEFA. Canada's Oil and Gas Decommissioning Liability Problem. May 2022. Page 1.
[8] Clean Energy Council. Decommissioning Security Framework for Renewable Energy Projects. October 2025. Page 4.

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2. What are the key differences between the industries internationally and onshore that we need to consider in developing the reforms?

One consideration for Australia is to acknowledge that Australian oil and gas projects are largely operated by publicly owned companies listed in Australia or overseas, or are controlled by foreign state entities. In other major oil-producing countries, such as Norway, Malaysia and Indonesia, decommissioning laws are dominated by state-owned or controlled entities, and the state may fund a larger share of decommissioning liabilities. However, any reform should not increase the amount Australian taxpayers are liable for industry's decommissioning costs.

Reforms at federal level must also complement state rules as the decommissioning process involves both jurisdictions. The majority of the oil and gas infrastructure earmarked for decommissioning is in federal waters, but the infrastructure will ultimately be transferred to land where, for example, steel pipelines may be recycled.

3. Which aspects of the current decommissioning framework are working well and which require reforms, and why?

The current decommissioning framework is working to a point given the amount of work undertaken so far. For example, ExxonMobil has spent "US$2.5billion in early decommissioning works, including the permanent plug and abandonment of over 200 wells". It plans to remove platforms and transport them onshore for dismantling and recycling by 2027.[9] All oil and gas production permit holders in Australia are required to remove all structures and equipment from the title area that are no longer in use, as well as the plugging and abandonment of wells.[10] However, it is concerning that despite this, many companies with decommissioning liabilities have stated in their financial accounts that they plan to keep the pipelines in situ.

At least four listed Australian energy companies – Amplitude Energy, Beach Energy, Santos and Woodside Energy – have indicated that they assume their offshore pipelines will be retired "in-situ".[11] IEEFA is of the view that the Australian government should compel companies to provide cost estimates or liability estimates for the full removal of all equipment.

4. What drivers and incentives for titleholders' behaviour around decommissioning do we need to consider while developing reforms?

There is an incentive for titleholders to delay or defer their decommissioning liabilities. For instance, Santos identified carbon capture and storage (CCS) as a way to defer its decommissioning liabilities at the Bayu-Undan gas field. "Our access to depleted gas reservoirs in a number of our core assets not only provides the opportunity to develop CCS at scale, but

[9] ExxonMobil. Legacy in Transition: Esso Australia is decommissioning oil and gas infrastructure in Bass Strait. 19 June 2025.
[10] NOPSEMA. Section 572. Maintenance and removal of property. 28 January 2025. Page 2.
[11] Carbon Tracker. Asset Retirement Obligations: What Lies Beneath? Transparency Assessment Report. December 2025. Page 7.

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also provides the opportunity to defer decommissioning expenditure at mature assets," Santos chairman Keith Spence said.[12]

Santos also stated in its 2024 Annual Report that, "The Group's estimated future removal and restoration costs may include certain major pipelines remaining in-situ, where the group believes it will result in better environmental and safety outcomes than full removal."[13] This does not align with the mandatory requirement for the full removal of equipment under Section 572 of the Offshore Petroleum and Greenhouse Gas Storage (OPGGS) Act.[14] Any reform should undertake a robust assessment of the potential to turn depleted oil and gas fields into CCS facilities to ensure CCS is not used as an excuse to delay and defer decommissioning work. Reforms should also ensure there is no financial accounting option to keep any infrastructure in situ.

5. What transition arrangements should we put in place for the reforms?

Any reform should include an adequate but not lengthy transition period as most of the proposed amendments aim to close any loopholes. However, if there were to be any changes to the way decommissioning costs are treated under the Petroleum Resource Rent Tax (PRRT), the transition period could be extended.

6. What other ways can the government encourage early planning, increased transparency and more efficient decommissioning?

Australia could replicate the UK's Decommissioning Data Visibility project to provide greater transparency on the timing of projects. The data shows how many wells, subsea structures and pipelines, and the weight of platforms to be removed, over the next five-year period, as well as the companies undertaking the planned decommissioning work.[15] It recommends operators "use the data to identify opportunities to decommission wells together through campaigns which can help deliver savings".[16]

For increased transparency, companies should be required to set an approximate timeline for the decommissioning work and when the expenditure on this activity is to take place. This is important for tax purposes. Under the PRRT, a significant share of decommissioning costs for offshore oil and gas projects are effectively paid for by the taxpayer given an oil and gas company can offset all decommissioning expenditure against its PRRT liability,[17] therefore reducing the amount of tax paid. This forgone tax revenue, in effect, represents the amount the Australian taxpayers are paying for decommissioning liabilities. There must be complete transparency on when the expenditure takes place and which tax year it must be claimed against

[12] Santos. Oil Search and Santos merger update: Court approves distribution of Scheme Booklet and convening of Scheme Meeting. 11 November 2021. Page 10.
[13] Santos. Annual Report 2024. Page 236.
[14] Australian Government. Department of Industry, Science and Resources (DISR). Offshore Petroleum and Greenhouse Gas Storage Act. Section 572 (3). 2006.
[15] North Sea Transition Authority (NSTA). Decommissioning Data Visibility Dashboard.
[16] Ibid.
[17] ATO. Taxation Ruling. TR 2018/1. Petroleum resource rent tax: character of expenditure incurred in relation to abandonment, decommissioning and rehabilitation activities undertaken on a part of a petroleum project. 24 January 2018.

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the PRRT, to avoid decommissioning spending being moved to financial years of higher tax liabilities.[18]

7. What should be in a decommissioning plan?

A decommissioning plan needs a detailed inventory of the infrastructure to be removed and technical description of all equipment to be decommissioned. This includes platform wells, subsea wells, suspended exploration wells, pipelines, umbilicals, the concrete or bitumen mattresses used to protect or stabilise underwater infrastructure.[19] There should also be an up-to-date assessment of the condition of the infrastructure as well as an assessment of the environmental risks posed by any toxic materials present in the infrastructure.

8. When should a titleholder be required to submit a decommissioning plan, both initially and for updates?

Under current legislation, decommissioning planning is expected to start at the earliest stage of project development. However, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) has said, "some titleholders do not develop appropriate decommissioning plans in a timely manner, potentially increasing risk exposure to people and the environment".[20] Hence, it would be prudent to make it mandatory for a decommissioning plan to be part of any project development proposal and initial Environmental Impact Statement.

9. How could current cost estimation and reporting requirements be improved?

An initial cost estimate for decommissioning work should be provided at the start of an oil and gas production project. Given changes in labour costs, equipment hire or leasing and any handling charges, these cost estimates should be reviewed periodically and comprehensively, particularly as decommissioning approaches. Any such reviews should be provided in company annual financial reports to reflect the possible impacts on decommissioning cost estimates. Individual project decommissioning costs can then be factored into a national estimate, as is done in the UK under its annual cost and performance update published by the North Sea Transition Authority.

In addition, there should be independent technical reviews of the cost estimates by qualified cost estimators, rather than by financial auditors.

10. Should proposed alternative end states be in the decommissioning plan and cost estimates? If so, how?

In IEEFA's view, there should be no compromise from the base case of full removal of all oil and gas infrastructure used in the extraction process.

[18] The Point. Decommissioning oil and gas: The fossil fuel industry's gift that keeps on taking. 5 January 2026.
[19] Offshore Energies UK. Decommissioning Insight 2023. November 2023. Pages 41-42.
[20] NOPSEMA. Planning for proactive decommissioning. 16 December 2021. Page 1.

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11. How can information on decommissioning planning give certainty and visibility to the decommissioning supply chain and broader decommissioning industry? What are potential drawbacks of sharing this information?

More information of timing of decommissioning work, the volume of work involved, such as tonnage to be removed and the inventory of infrastructure to be removed, will all help the service providers that will undertake such tasks. For example, it will allow service providers to plan for the specialist equipment needed, when they should hire it and for how long. More information on the scale and timing of decommissioning work will also identify opportunities for collaboration between projects that are near each other, which in turn could reduce costs.

12. What information should be submitted in a financial plan for decommissioning?

A financial plan for decommissioning should include some form of bond by the operator and any joint venture partners in an oil and gas project. There must be a clear financial plan from each of the project's participants as well as pledges from each company to fund its share of the work to avoid any future legal disputes between partners that could delay or jeopardise decommissioning work.[21] The financial plan should also include cost estimates for the decommissioning work, as well as an assessment of the financial of proposed work to ensure the operator and its partners have sufficient funding to finance the decommissioning work.

13. What criteria should be used to assess the financial planning for decommissioning?

The financial plan should be updated periodically, and must examine if the financial bond is sufficient to cover the full scope of decommissioning liabilities, from the removal of infrastructure to ongoing monitoring obligations. Given the long periods between a proposed bond at the start of the oil and gas project and actual decommissioning, any periodic review must include inflation for various works, such as the removal of toxic materials.

14. What forms of financial arrangements are robust demonstrations of available funding and why?

Each company involved in an oil and gas project must have some form of financial bond to finance decommissioning work. There are multiple options for this bond, such as a bank guarantee, which would be preferable to a letter of credit as the latter is a financial instrument used more in international trade than resource projects. The bond could also be a form of a financial guarantee from the parent company, if based overseas, for its Australian subsidiary.

[21] Amplitude Energy. Annual Report 2024-25. Page 114. Amplitude has a legal claim against Pertamina over its withdrawal and decommissioning provisions of the Basker Manta Gummy (BMG) joint venture in the Gippsland Basin.

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15. What factors should we consider in decommissioning and financial capacity risk assessments?

A risk assessment of the economics of the project should be undertaken periodically. The assessment should include an evaluation of the project and the finances of its partners to assess if energy market fundamentals have changed the financial capacity of the project, i.e: Has the energy transition reduced demand for oil and gas and lowered prices.

16. How often should assessments be undertaken? What circumstances should trigger an updated assessment?

As a project approaches decommissioning, more frequent assessments should be done. However, assessments should also be triggered by any changes in ownership of the underlying title of the oil and gas project and whether the new owners meet the financial criteria for decommissioning.

17. Should assessments only be taken at the project level? Or should there be a process to assess the risks of titleholders across multiple projects?

Assessments should be done at the both the project level and at corporate level of the titleholders of each project. At the project level, it is important to ensure the project partners have sufficient finances to fund their decommissioning liabilities. However, assessments should also be carried out at corporate level, as the titleholder may have experienced changes to its financial position due to increased debt incurred to finance other projects, which in turn may increase their future decommissioning liabilities. As such, any application by the project partners to expand oil and gas production either at the project or at other upstream projects, this should trigger a reassessment of their decommissioning liabilities.

18. What factors should we consider in broadening information gathering and sharing powers? How could we manage any associated risks?

There should be tight collaboration between regulators associated with decommissioning, including NOPSEMA and NOPTA (the National Offshore Petroleum Titles Administrator) to ensure information is shared. This information should also be shared with the Australian Securities and Investments Commission (ASIC) to detect any early signs of financial distress or mismanagement by an oil and gas project partner.

19. What compliance and enforcement tools or mechanisms should we consider ensuring titleholders meet their decommissioning obligations without imposing undue costs or barriers to investment?

Australia should consider adopting similar compliance and enforcement tools to the UK Petroleum Act, Section 29, through the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED). Its powers extend to the operator, project partners, parent company and any affiliates.[22] By including all corporate associates of the licence holder, it reduces the

[22] Sabin Center for Climate Change Law. Decommissioning Liability at the end of Offshore Oil and Gas. August 2023. Page 104.

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scope for companies to shift their decommissioning liabilities to a related company with little financial capacity to meet the decommissioning obligations.

20. How could a potential financial assurance enforcement tool support compliance with decommissioning obligations?

An effective enforcement tool that includes financial penalties would prompt companies to comply with their decommissioning obligations. Mandatory public disclosure of decommissioning cost estimates and financial securities held promotes transparency and can act as both an enforcement tool and a compliance incentive. A ring-fence mechanism would prevent operators from moving profitable assets out of reach to avoid liabilities. This could include requirements that Australian subsidiaries maintain restrictions on dividends or intercompany loans when decommissioning security is inadequate, or automatic security triggers when asset sales reduce an entity's net worth below certain thresholds.

21. What changes, if any, should we consider around decommissioning requirements for title surrender, and why?

The trailing liabilities introduced under Section 572 of the OPGGS Act addressed the issue of financial responsibility for decommissioning costs.[23] However, in the event of a corporate failure of a titleholder in an oil and gas project, establishing an industry decommissioning fund should be considered. In 2022, a temporary levy was imposed on offshore petroleum production, known as the Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) (OP Levy).[24] The funds from any such levy should be used as a last resort, and companies should not be able to access these funds to finance their own decommissioning liabilities.

22. How can we apply the proposed reforms in the greenhouse gas storage context?

The same principles that apply to oil and gas projects for decommissioning should also apply to carbon capture and storage (CCS) projects so that all infrastructure for a CCS project must be fully removed on decommissioning. CCS titleholders should also provide a financial bond to ensure they have sufficient funding for any decommissioning liabilities, and provide periodic updates of their financial plans and trailing liabilities.

23. How would we need to modify the reforms to address specific greenhouse gas storage market conditions? What technical and monitoring requirements need modifying?

Any reform to the rules governing decommissioning should ensure that CCS is not used to defer decommissioning responsibilities for an oil and gas project. The titleholder must undertake the necessary work to assess the long-term viability of the CCS project and whether the depleted oil or gas reservoir is suitable for CCS. NOPSEMA requires oil and gas infrastructure to be removed five years after production has finished, and CCS titleholders should not exceed this timeline.

[23] Australian Government. DISR. Trailing liability for decommissioning of offshore petroleum property: guidelines. 1 January 2021.
[24] ATO. Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) (OP Levy). 5 August 2022.

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There should also be an industry standard for pipelines that can be used for CCS. Carbon dioxide has a different chemical composition to oil and gas, and the pipelines used for the latter are not suitable for CCS. Therefore, if pipelines cannot be repurposed for CCS, they should be removed. There should also be a time limit imposed on the development of a CCS project, particularly if it is deferring the decommissioning of an oil and gas project.

24. What additional reforms, if any, should we consider, that will facilitate the transition from petroleum to greenhouse gas storage titles?

If the titleholder of a CCS project is the same as the oil and gas project, they must complete all the decommissioning work associated with the oil and gas project before a CCS title is granted. However, it is yet to be proven that CCS can operate at scale, and it is not a solution to reduce greenhouse gas (GHG) emissions in any meaningful way. Therefore, IEEFA believes there should not be any changes to regulations to allow CCS titleholders to defer decommissioning work associated with an oil and gas project. Australia's 15-year liability period at the end of the operational life of CCS projects should be extended in line with international standards, such as Norway (20 years), the European Union (up to 30 years) and the US (50 years).[25]

25. What safeguards do we need to ensure decommissioning obligations are met? Including when the transition from petroleum to greenhouse gas operations also involves a change in ownership?

The responsibility for all oil and gas project decommissioning obligations must be clearly established before any transfer of title. There should be no transfer of decommissioning responsibility from an oil and gas title holder to a CCS titleholder to allow companies to avoid their decommissioning responsibilities.

[25] IEEFA. Norway's Sleipner and Snohvit CCS: Industry models or cautionary tales? June 2023. Page 60.