



# Guideline

## Safety Case Levies

---

### Introduction

This guideline is provided for direction only on the administration of safety case levies by the National Offshore Petroleum Safety Authority (NOPSA), and is not to be taken as legal advice. Interested parties should seek professional legal opinion for advice on safety case levies.

### Background

NOPSA was established under the *Petroleum (Submerged Lands) Act 1967* and continued in existence under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. NOPSA is funded through industry levies that it collects on behalf of the Commonwealth. The *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Act 2003* imposes the levies and its Regulations prescribe how the levies are worked out and when they are due and payable. The safety levies include:

- Safety case levy, an annual levy imposed in relation to the safety case that is in force in relation to a facility, and comprising of a facility amount, a pipeline amount and a SMS amount;
- Safety investigation levy, imposed on the operator of a facility in relation to the investigation, by NOPSA, of an accident or dangerous occurrence at that facility, to reimburse the actual costs and expenses incurred by NOPSA above a threshold of \$30,000.

This guideline addresses the safety case levy.

### Safety Case Levies – Legislative Framework

The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA), Schedule 3, Clause 4, defines vessels or structures that are facilities, including any pipe or system of pipes used for offshore petroleum operations or offshore greenhouse gas storage operations. A safety case is required for the relevant stage in the life of a facility. If a safety case for a facility is accepted by NOPSA, the operator of the facility and/or, in the case of a pipeline facility the licensee, is subject to levies as calculated under the *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Regulations 2004* (OPGGSSLR).

The *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Act 2003* imposes a safety case levy (OPGGSSLA sections 7 and 8). The safety case levy is imposed if a facility is located, or is proposed to be located, in Commonwealth waters or designated coastal waters (Safety Authority waters), and if there is a safety case in force in relation the facility.

The term 'facility' has the same meaning as that in Schedule 3 to the OPGGSA and also includes a 'proposed facility' (i.e. a facility that is proposed to be constructed, installed or operated).

The expression 'in force' means that the safety case for the facility has been accepted by NOPSA, and that the acceptance has not been withdrawn.

The safety case levy is an annual levy, imposed for a calendar year or part of a calendar year depending on when the safety case comes into force and for a facility that is a pipeline, whether a major revision of a safety case is accepted.

The safety case levy for a facility other than a pipeline is payable quarterly in arrears in the year in which the safety case is accepted and in any subsequent years, and is made up of the sum of:

- The SMS amount; and
- The facility amount.

For a facility that is a pipeline, the safety case levy is payable only in the year in which a safety case is accepted or a major revision of a safety case is accepted, and is made up of the sum of:

- The SMS amount; and
- The pipeline amount.

In recognition that mobile facilities may operate on an intermittent basis, section 687 of the OPGGSA provides for the remittal of part of the safety case levy, provided that a minimum payment of one quarterly instalment is paid in any four consecutive quarters in accordance with regulation 25 of the OPGGSSLR.

The safety case levy is payable 30 days after NOPSA notifies the operator or licensee that the levy is due. Section 686 of the OPGGSA imposes a late payment penalty calculated at a rate of 0.333333% per day.

### Calculating Safety Case Levies

The safety case levy is calculated in accordance with Schedule 1 of the OPGGSSLR.

#### SMS Amount

An operator or pipeline licensee is required to pay only one SMS amount in relation to a year irrespective of the number of safety cases in force. The SMS amount is specified depending on whether a facility is 'not a mobile facility', a 'mobile facility' or a pipeline facility, as follows:

Type of Facility	SMS amount	Payment Responsibility
At least one of the facilities is not a mobile facility	\$125,000	Operator
All the facilities are mobile facilities	\$80,000	Operator
A pipeline licence	\$40,000	Pipeline Licensee

For the purposes of the safety case levy, 'mobile facility' means a facility of a kind mentioned in Schedule 2 of the OPGGSSLR. Schedule 2 lists only:

1. Mobile offshore drilling unit or drill-ship
2. Vessel for laying pipes for petroleum, or a greenhouse gas substance or vessel or structure used for the erection, dismantling or decommissioning of a facility

### 3. Accommodation facility used for persons working on another facility

A vessel may be defined as a facility if it is 'doing work on an existing pipe'. However, as such a vessel is not listed in Schedule 2 as a 'mobile facility' the applicable SMS amount is \$125,000 with a facility rating of zero.

#### Facility amount

The facility amount is calculated by multiplying:

- the facility rating by
- the unit value.

The unit value is \$26,000 for a facility that is not a pipeline.

The facility ratings are tabulated in Schedule 1 of the OPGGSSLR as follows:

Item	Facility or proposed facility	Facility rating
1	Large platform with drilling/workover capability	12
2	Other platform with accommodation facilities:	
	(a) when drilling/workover facilities are in commission	8
	(b) when drilling/workover facilities are not in commission	5
	<i>Note</i> This is a <b>variable-rating facility</b> .	
3	Floating production storage and offloading facility	6
4	Mobile offshore drilling unit or drill-ship	6
5	Vessel for laying pipes for petroleum or a greenhouse gas substance	5
5A	Vessel or structure used for the erection, dismantling or decommissioning of a facility or for the provision of accommodation for persons working on another facility	3
6	Floating storage unit linked to a production platform	3
7	Monopod, well head platform or other small production or injection facility with no accommodation	1

The facility amount is taken to be zero for facility types that are not specifically listed.

Operators of variable-rating facilities (item 2 of Schedule 1) must keep NOPSA informed about the operations of their facilities. The applicable facility rating is that with the greater number of days' operations within the quarter. The higher rating applies where the number of days is the same.

#### Pipeline amount

The pipeline amount is calculated by multiplying:

- the facility rating by
- the unit value.

The unit value is \$10,000 for a facility that is a pipeline.

The facility ratings are tabulated in Schedule 3 of the OPGGSSLR as follows:

Item	Description of sub-sea development	Pipeline rating
1	Non sub-sea development or manifold connected to the pipeline	1
2	One or 2 sub-sea developments or manifolds connected to the pipeline	2
3	More than 2 sub-sea developments or manifolds connected to the pipeline	3

#### Paying the Safety Case Levy – other than a pipeline facility

The safety case levy is an annual (calendar year) levy, payable by an operator in quarterly instalments in arrears, 30 days after NOPSA notifies the operator that levy is due and payable.

If a safety case is accepted part way through the year, then the initial Facility Amount of the safety case levy is payable for the number of days during the first quarter of that year that a safety case is in force. For each subsequent quarter, the safety case levy is calculated as one quarter of the annual amount payable.

Notably, the SMS Amount is not calculated proportionately to the number of days as it is a fixed annual amount, payable quarterly.

As an example, if the safety case for a mobile offshore drilling unit (MODU) came into force on day 11 of the first quarter of 2010 and the MODU was operating in Authority waters by an operator with no other facilities, the safety case levy for the first quarter is calculated as follows:

$$\text{SMS} = \frac{\$80,000}{4} \text{ (MODU being a mobile facility)} = \$20,000$$

$$\text{Facility Amount} = \frac{\text{Facility Rating} \times \text{Unit Value} \times \text{number of days in part quarter}}{365}$$

$$\text{Facility Amount} = \frac{6 \times \$26,000 \times 80 \text{ days}}{365} = \$34,191.78$$

$$\text{Total Safety Case Levy} = (20,000 + 34,191.78) = \$54,191.78$$

#### Paying the Safety Case Levy – Pipeline Facility

The safety case levy is payable by a licensee in a single instalment, 60 days after a safety case comes into force (if after 1 January) or 60 days after the last major revision of the safety case came into force. If the safety case comes into force on 1 January, the levy is payable on the first working day after 1 January.

As an example if a safety case comes into force covering two pipelines, one pipeline connected a production platform to shore and a second pipeline with 3 sub-sea development connections, the total levy payable by the pipeline licensee would be calculated as follows:

SMS Amount = \$40,000		\$40,000
Pipeline amount (pipeline 1) =	Facility Rating 1 X \$10,000	\$10,000
Pipeline amount (pipeline 2) =	Facility Rating 3 X \$10,000	<u>\$30,000</u>
<b>Total Safety Case Levy</b>		<b><u>\$80,000</u></b>

No further safety case levy is payable unless a major revision of the safety case comes into force. A major revision is generally triggered where the proposed revision requires a significant assessment by NOPSA including a statutory 5-year revision of the safety case.

#### Remitting part of the safety case levy for Mobile Facilities

The OPGGSSLR provides a mechanism for remitting part of the safety case levy with regards to mobile facilities that operate on an intermittent basis.

The amount remitted in any quarter depends on the number of days that the mobile facility was not operated in Safety Authority waters during that quarter.

The remittal of the SMS amount and the Facility amount are calculated separately. The SMS amount can be remitted only where an operator has no other facility in operation.

A minimum SMS amount and Facility amount equivalent to one quarterly instalment is required over a period of 4 consecutive quarters, before any remission may be made.

The remittal is calculated as follows:

$$\text{Remittal of Facility Amount} = \text{Facility Rating} \times \frac{\text{number of days not operated}}{\text{number of days in quarter}}$$

$$\text{Remittal of SMS Amount} = \text{SMS Amount} \times \frac{\text{number of days not operated}}{\text{number of days in quarter}}$$

---

#### **Disclaimer**

This Guideline and others provided on NOPSA's website are intended to provide general guidance to the industry as to the approach that NOPSA takes in carrying out its regulatory functions under powers conferred by the Commonwealth Offshore Petroleum and Greenhouse Gas Storage Act 2006, and the Petroleum (Submerged Lands) Act 1982 of the States and Northern Territory, and Regulations under those Acts. These Guidelines should not be relied on as advice on the law, nor treated as a substitute for legal advice in any relevant situation.