OFFSHORE DECOMMISSIONING AND FINANCIAL ASSURANCE REFORMS | *CONSULTATION PAPER*

Australian Energy Producers | 27 January 2026

Australian Energy Producers welcomes the Australian Government's consultation on offshore decommissioning and financial assurance reforms.

A fit-for-purpose decommissioning framework is critical to maintaining a safe, environmentally sound and sustainable offshore oil and gas industry in Australia. Clear and consistent decommissioning and financial assurance settings will help ensure titleholders meet their environmental and decommissioning obligations, while supporting a competitive industry that continues to deliver energy security, economic activity and employment for Australia.

A national offshore Financial Assurance Framework is urgently needed to support a balanced and commercially practical approach to managing the risk of unfunded decommissioning liabilities. Australian Energy Producers has worked with its members to develop an industry-endorsed Financial Assurance Framework that should form the basis for fast-tracking the implementation of a national framework. The proposed Framework, developed in partnership with members, would complement Australia's existing regulatory regime under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGSA), including joint and several liability and the strengthened trailing liability provisions introduced in 2021.

Clear, evidence-based pathways are needed to allow offshore oil and gas infrastructure to be left in place where environmental outcomes are equal to or better than full removal. While current arrangements allow alternatives to full removal to be proposed, the regulatory framework does not provide sufficient certainty to progress these options in practice. This creates challenges for decommissioning planning, reporting and financial assurance.

Over many years, the Australian oil and gas industry has provided extensive analysis and detailed policy input to government on decommissioning financial assurance and financial risk management. This substantial body of work – including evidence drawn from over 25 years of UK industry experience – provides a robust foundation to accelerate the finalisation of a decommissioning and financial assurance framework in Australia.

Recommendations

- **Fast-track the implementation of a national offshore Financial Assurance Framework**. The industry-endorsed Financial Assurance Framework, developed by Australian Energy Producers and its members based on the UK approach, should form the basis of a national framework and be implemented in partnership with industry as a priority.
- **Support early, iterative and proportionate decommissioning planning**. High-level decommissioning plans should be submitted early in the project lifecycle, with plans maturing over time and updated in response to material changes rather than rigid or duplicative review cycles. Planning requirements should be risk-based and integrated with existing regulatory processes.

Head Office
GPO Box 2201 Canberra ACT 2601
+61 2 6247 0960 | contact@energyproducers.au
Australian Energy Producers Limited
energyproducers.au
ABN 44 000 292 713

- **Provide clear guidance on when oil and gas infrastructure can be left in place**. Government should provide clear pathways for the approval alternatives to full removal where risks are reduced to as low as reasonably practicable (ALARP) and equal or better environmental outcomes can be demonstrated. Guidance should support certainty and consistency in decision-making.
- **Implement fit-for-purpose transition arrangements**. Decommissioning and financial assurance reforms should be phased in through risk-based transition periods that reflect asset maturity, financial capacity and remaining field life. Transitional arrangements should avoid unintended consequences such as premature cessation, reduced investment or disruption to existing commercial arrangements that already deliver equivalent outcomes.
- **Streamline regulatory processes and improve coordination** between NOPSEMA, the National Offshore Petroleum Titles Authority (NOPTA), the Department of Industry, Science and Resources (DISR), and relevant state and territory regulators. Streamlining should reduce duplication, support timely approvals for late-life transactions, and enable efficient adjustment of decommissioning plans while maintaining robust environmental and safety standards.
- **Avoid blunt or universal measures**, including upfront full-value security requirements, blanket portfolio-wide assessments and duplicative reporting obligations that would unnecessarily tie up capital, deter investment, and/or accelerate premature field cessation.
- **Provide clarity and predictability on residual liability**, including defined monitoring periods and transparent release mechanisms once obligations have been satisfied. Certainty around residual liability is critical to investment confidence and aligns with outcomes achieved in jurisdictions such as the UK and Norway.
- **Commit to collaborative implementation** through the establishment of ongoing industry-government working groups to develop guidance, templates, thresholds and implementation settings. Government-industry collaboration is essential to ensuring reforms are practical, proportionate and efficiently administered.
- **A dedicated review is needed to consider decommissioning and financial assurance arrangements for offshore greenhouse gas (GHG) storage.** The development of a decommissioning and financial assurance framework for GHG storage must consider the distinct characteristics of the technology compared with conventional oil and gas operations as well as flexible pathways for the transition from petroleum activities.

Australian Energy Producers is committed to working collaboratively with government to deliver a fit-for-purpose decommissioning regime and financial assurance framework that provides confidence to government and industry while sustaining a competitive offshore oil and gas sector able to support Australia's long-term energy security.

An Industry-endorsed Financial Assurance Framework for Offshore Decommissioning

Australian Energy Producers has developed an industry-endorsed Financial Assurance Framework that can provide a sound basis for managing Australia's estimated $43.6 billion in offshore decommissioning activity over the next 30–50 years. The Framework (see Annex 1)**,** developed in partnership with members and based on the well-established UK model, provides a robust and practical approach to mitigating the risk of unfunded decommissioning liabilities and has a range of benefits:

- **It complements Australia's existing regulatory regime** under the OPGGSA, including joint and several liability and the enhanced trailing liability provisions introduced in 2021, and recovery mechanisms available to the Commonwealth and the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).
- **It leverages established commercial practices**, such as joint venture due diligence, governance and default mechanisms which already provide indirect financial assurance through mutual solvency support among titleholders. It also builds on direct financial assurance arrangements that some joint ventures put in place to fund decommissioning once the estimated remaining value of future production falls to an agreed proportion of estimated decommissioning expenditure.
- **It avoids overly prescriptive or upfront financial security requirements** that could unnecessarily tie up capital, deter investment, accelerate premature field cessation, or undermine ongoing production.
- **It aligns with international best practice** while being tailored to Australia's joint venture structures and multi-jurisdictional regulatory environment. The proposed Framework is based on the proven UK model that has operated for more than 25 years, including through multiple oil price downturns.

Adopting a UK-inspired model, tailored to Australian joint venture structures and regulatory settings, would provide greater certainty for titleholders, regulators and the supply chain, manage decommissioning risks, and avoiding unnecessary capital tie-up that could deter investment or accelerate premature field cessation. Such an approach would support the development of a competitive domestic decommissioning industry.

Key elements of the industry-endorsed Framework

The industry-endorsed Financial Assurance Framework is based on the following core principles and mechanisms:

- **Risk-based application** | Financial assurance would be determined through a risk assessment of a company's financial capacity relative to estimated decommissioning costs. Higher-risk titles or titleholders – where financial standing is insufficient relative to liabilities – would be required to provide more substantial security, such as bank guarantees or cash. Low- and medium-risk cases would continue to rely primarily on existing joint and several liability arrangements and corporate financial strength.
- **Decommissioning Security Agreements (DSAs)** | Titleholders could voluntarily enter legally binding, multi-party DSAs, typically at or around the field development plan approval

stage. These multi-party agreements would pool security among joint venture participants and allow the government (and potentially former titleholders) to access that security only after recovery from the primary responsible parties has been exhausted, for the purpose of satisfying any debts otherwise owing under sections 589 and/or 590 of the OPGGSA.

- **Commercial incentives and flexibility** | Joint venture participants would retain strong commercial incentives to monitor each other's performance and financial capacity. DSAs would utilise customary financial instruments, such as letters of credit, parent company guarantees and trust arrangements, and would avoid inefficient upfront posting of full security.
- **Government oversight** | Regulators would have the power to direct higher-risk titleholders to provide security directly to government or to enter a DSA, ensuring appropriate protection where voluntary measures are insufficient.
- **Complementarity with existing structures** | The Framework would build on joint and several liability, enhanced trailing liability provisions, and rigorous title transfer and change-in-control assessments, rather than duplicating or overriding them. It would also avoid duplicating credit support for the same liability by relying on a single pool of security for joint venture participants, former titleholders and government.

Together, these elements provide a framework that is practical, cost-efficient and flexible, while delivering effective risk mitigation and aligning with the government's stated reform objectives of proportionality, competitiveness and taxpayer protection.

Importance of transitional arrangements

Effective transitional arrangements are essential to the successful implementation of any new financial assurance framework to avoid disrupting ongoing operations, investment decisions or field-life extension activities. Existing offshore projects involve long planning and investment horizons under the current regulatory regime, and abrupt changes could lead to unintended consequences such as premature shutdowns or reduced development activity.

Industry recommends:

- **A suitable transition period for titleholders**, with longer transition periods for lower-risk titles where adequate financial capacity is already demonstrated.
    - Existing titles should be reviewed periodically by the regulator to ensure there is no deterioration in assessed risk.
    - Identification and development of an appropriate financial assurance pathway for higher-risk titles should be completed within a 12- to 18-month timeframe.
- **Clear and timely regulatory guidance**, supported by ongoing stakeholder engagement.
- **Flexibility to recognise existing commercial arrangements among joint venture participants** that already address financial risk and achieve equivalent outcomes.

Well-designed transitional provisions provide certainty, maintain investor confidence, and allow the Framework to achieve its risk-mitigation objectives without compromising Australia's energy security or the economic contribution of the offshore petroleum sector.

The industry-endorsed Financial Assurance Framework is provided in Annex 1.

Consultation Questions

Other decommissioning and financial assurance frameworks

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

Industry would strongly support a modern Australian decommissioning regime built on early planning, risk-based and flexible security, finite residual liability rules, and streamlined late-life transactions. Such a regime would align Australia with the most investor-friendly jurisdictions (particularly the UK), reduce regulatory uncertainty, and help attract the capital required for energy transition projects. It would also provide robust protection against the risks that have concerned government in recent years.

Key elements that industry would broadly support, and that align with leading frameworks in the UK, Norway, Canada and New Zealand, include:

- **Risk-based financial assurance** | A tiered financial viability test, similar to those used in the UK and Norway, focused on tangible net worth, liquidity and credit metrics, is viewed as fair and workable. Well-capitalised companies, including parent companies, would face minimal or no security requirements, consistent with practice in the UK North Sea for low-risk titleholders. Where security is required, industry supports a broad set of instruments – such as parent company guarantees, letters of credit, trust funds, insurance products or decommissioning security agreements – and staged posting relative to the value of remaining production, rather than requiring 100 per cent security upfront. This approach preserves capital for reinvestment in late-life production.
- **Early, iterative and proportionate decommissioning planning** | Industry supports the ability to submit high-level decommissioning strategies at the field development stage and to update them periodically. This approach allows titleholders to optimise removal and re-use options over time, incorporate new and emerging technologies, and engage early with regulators on circumstances where alternatives to full removal may deliver equal or better environmental outcomes.
- **Streamlined change-of-control processes with appropriate safeguards** | Late-life transactions are a normal and beneficial feature of mature basins, extending production and maximising economic recovery. A fast-track approval process for transfers to suitably qualified buyers, where assets are subject to appropriate financial assurance, strikes an appropriate balance. The UK model demonstrates that this approach can operate effectively in practice.

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

International comparison | Australia's objective-based offshore regulatory system promotes innovation and adaptability but places a heavy responsibility on titleholders to demonstrate compliance, which can lengthen approval timeframes where proposals require revision or are not accepted. Australia's framework is generally more flexible but requires greater capability and resourcing from titleholders compared with the United States' more prescriptive approach.

Norway and the UK have regulatory models that are closest to Australia in their emphasis on safety culture. In Australia, environmental scrutiny is also high due to sensitive marine ecosystems, including

mandatory oil pollution emergency planning and increased focus in recent years on First Nations consultation.

A key different between Australian oil and gas operations and those operating internationally is that many projects in Australia span offshore and onshore jurisdictions, with multiple regulators seeking assurance about the ability to meet decommissioning costs while considering the same revenue stream. To avoid duplication and improve efficiency, reforms should allow flexibility for DSAs to cover decommissioning obligations arising under other applicable laws, regulatory consents and approvals, relevant joint operating agreements (JOAs) and other agreements entered into by, or on behalf of, all titleholders, consistent with good industry practice.

Onshore comparison | Australian onshore petroleum activities are regulated primarily under state and territory legislation, resulting in variation between jurisdictions. Oversight often involves state or territory agencies, and in some cases Commonwealth agencies, across environment, water, heritage and planning approvals.

Operationally, offshore activities generally involve greater complexity, cost and logistical constraints. Onshore operations are typically more accessible and flexible, with lower costs. These differences influence investment decisions, with offshore projects commonly requiring longer lead times, higher capital expenditure and higher-volume production to proceed.

Where offshore projects have an onshore component, this should be considered in designing the Commonwealth's decommissioning framework, including opportunities for improved streamlining with relevant state and territory legislative and regulatory regimes. Financial assurance settings that consider only offshore liabilities may be insufficient where material onshore decommissioning obligations also exist.

Proposed areas for reform

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

The OPGGSA includes several features that support responsible end-of-life asset management. These features align with industry's commitment to safe, environmentally sound operations and help sustain Australia's energy security and economic contribution.

Key strengths include:

- **Clear assignment of responsibility to titleholders** | The current framework appropriately places responsibility for decommissioning costs and execution on titleholders. Trailing liability provisions strengthen this approach by enabling regulators to call back former titleholders and related bodies to address obligations where necessary, supporting accountability in asset transfers and change-of-control transactions.
- **Focus on safety and environmental responsibility** | The requirement for environment plans to be assessed by NOPSEMA ensures decommissioning risks are reduced to ALARP levels, supporting high standards for safety and overall risk reduction. This has supported safe execution of ongoing works, with no major incidents reported in recent projects, building on the industry's strong safety record.

Key areas requiring reform include:

- **Financial assurance mechanisms** | Financial assurance requirements need to be strengthened as a matter of priority to improve transparency and monitoring of titleholders' capacity, while maintaining proportionality and avoiding unnecessary capital tie-up. Australian Energy Producers has developed an industry-endorsed Financial Assurance Framework that can form the basis of a national approach (see Annex 1). A balanced and considered approach to financial assurance reform should aim to provide robust protection without unduly restricting capital flow, ensuring titleholders can access funding for large-scale campaigns.
- **Greater flexibility for alternative options** | Under current arrangements, titleholders may propose decommissioning end states, such as leaving infrastructure in situ, where they can demonstrate equal or better environmental outcomes compared with full removal. However, in practice, the existing regulatory framework provides limited certainty or practical flexibility to pursue such options, even where improved outcomes can be demonstrated. Australian Energy Producers therefore requests that Government amend section 572 of the OPGGSA (and regulations) to support clearer, evidence-based pathways for the assessment and approval of decommissioning options and rescind the requirement to remove all infrastructure. This will support innovative solutions tailored to asset-specific circumstances, while maintaining robust standards for safety, well integrity, and environmental protection. In addition, Government should strengthen these outcomes through enhanced policy settings and regulatory guidance that explicitly support such approaches.
- **Streamlined regulatory processes** | Improved coordination between NOPSEMA, NOPTA, DCCEEW, relevant state and territory regulators and other stakeholders would reduce duplication and minimise duplication and approval delays for complex projects, while maintaining rigorous environmental assessment and consultation requirements.

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

Reforms should strengthen incentives that support optimised decommissioning outcomes, while addressing disincentives. Measures such as clearer guidance on end-state alternatives, streamlined approval processes and support for collaborative campaigns would assist industry to deliver timely and efficient decommissioning outcomes.

Key drivers and incentives include:

- **Regulatory certainty and accountability** | Recent reforms, including strengthened trailing liability provisions, have increased focus on long-term exposure for titleholders and former titleholders. While these measures support accountability, certainty around their application is needed to sustain investment and confidence in asset transactions.
- **Reputation and social licence** | Maintaining constructive relationships with communities, regulators, investors and other stakeholders remains a strong driver of responsible decommissioning behaviour.
- **Economic opportunities and cost efficiency** | With estimated offshore decommissioning liabilities of approximately A$43.6 billion[1], titleholders are incentivised to pursue innovative

[1] XODUS Australian Offshore Oil & gas Decommissioning Liability Estimate 2025

and collaborative approaches that reduce costs, including campaign-based execution, shared vessel use and technology improvements.

- **Long-term asset value maximisation** | Extending production where technically and economically viable allows revenue to be generated to fund decommissioning provisioning, while supporting efficient asset utilisation and energy supply.
- **Finance and capital allocation** | Decommissioning represents a significant end-of-life cost. Decommissioning reforms should avoid unnecessarily restrictive measures, such as rigid upfront financial assurances, that could tie up capital unnecessarily and reduce investment capacity. Industry supports mechanisms similar to UK tax relief deeds, which determine decommissioning security on a post-tax basis and reduce unnecessary capital lock-up.
- **Certainty in planning and approvals** | Policy settings that emphasise full removal as the default can create uncertainty for alternative decommissioning options, including in-situ outcomes where environmental outcomes may be equal or better. Titleholders are incentivised to propose innovative solutions but may be discouraged where approval processes are lengthy or outcomes uncertain.
- **Supply chain capacity and capability** | Limited domestic access to specialised vessels, rigs and facilities can increase decommissioning costs and timelines. Incentives that support development of local infrastructure and capability would encourage more efficient delivery.
- **Avoidance of disproportionate burden** | Enhanced monitoring, levies or assurance requirements should be calibrated to avoid penalising low-risk, well-performing titleholders.

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

Transition arrangements should address financial failure risks associated with some legacy assets and improve decommissioning outcomes, without imposing excessive cost or uncertainty that could undermine industry viability, competitiveness, or the capacity to manage the forthcoming decommissioning program.

Transition arrangements should include:

- **Existing titles and legacy assets** | Reforms should apply primarily on a prospective basis, including to new titles, major changes in control and transfers occurring after implementation. For existing high-risk titles, identification and development of an appropriate financial assurance pathway should be completed within a 12–18 month timeframe. For legacy infrastructure predating strengthened trailing liability provisions, financial assurance requirements should be phased in and tiered based on risk assessments for assets. This should include minimal requirements for low-risk titleholders where detailed decommissioning plans and provisioning are already in place and aligned with good industry practice.
- **Extended phase-in periods** | Transitional timeframes of approximately three to five years, tiered by asset maturity and decommissioning timelines, should apply. Shorter transition periods may be appropriate for high-risk or near end-of-life assets, while longer periods would suit producing fields with robust existing provisions and longer remaining production lives. This would allow titleholders time to integrate changes in an orderly manner without triggering immediate capital constraints or deterring investment.

- **Risk-based and flexible application** | Regulators, including NOPSEMA, NOPTA, DCCEEW and DISR, should apply a risk-based approach to compliance oversight. Enhanced scrutiny should focus on high-risk titleholders, such as those with near end-of-life assets, limited financial capacity or weaker compliance histories. Low-risk titleholders with strong track records could benefit from streamlined reporting and less frequent reviews.
- **Industry consultation and guidance** | Building on the current consultation process, a dedicated industry–government working group should be established to co-develop implementation guidance, templates for decommissioning plans, and define acceptable forms of financial assurance. Early publication of clear guidance would reduce uncertainty and help avoid unintended impacts on investment in mature assets.
- **Support mechanisms** | To offset potential impacts of the reforms, government could consider incentives such as tax deductions for decommissioning-related expenditure incurred during the production life of assets. Collaboration on developing domestic decommissioning capability, consistent with the Offshore Resources Decommissioning Roadmap[2], would also help convert regulatory reform into economic and employment opportunities.

Decommissioning planning

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

To encourage early planning, transparency and efficiency in offshore decommissioning, while avoiding unnecessary regulatory burden or duplication, government can draw on lessons from the UK's mature decommissioning framework, which balances strong oversight with industry collaboration.

Key mechanisms include:

- **Co-developed guidance and standardised templates** | Government to work together with industry to develop practical guidance and standardised templates for decommissioning plans, informed by the UK's Decommissioning Guidance Notes[3] (November 2018) and associated program templates. Plans should be provided for information rather than approval, using consistent formats to describe infrastructure, proposed methods, comparative assessments, costs, schedules and post-decommissioning monitoring. Standardised assumptions, where appropriate, would reduce bespoke reporting and duplication with financial assurance processes.
- **Risk-based, proportionate oversight** | Enhanced planning requirements should focus on higher-risk and late-life assets, while lower-risk titleholders with strong compliance records benefit from streamlined submissions. Aligning updates with existing review cycles, such as financial assurance reviews, would encourage early planning without creating unnecessary additional processes.
- **Industry-government partnerships** | Ongoing working groups could support implementation, share best practices, and address knowledge gaps. Incentives such as

[2] Australia's Offshore Resources Decommissioning Roadmap 2024: Australia's Offshore Resources Decommissioning Roadmap | Department of Industry Science and Resources

[3] UK Government Decommissioning of Offshore Oil and Gas Installation and Pipelines Guidance Notes: DECC Document Template - Standard Numbering

recognition for early adopters or support for collaborative campaigns, including shared vessel use, would improve efficiency and help build domestic capability, consistent with the Offshore Resources Decommissioning Roadmap.

- **Use of existing mechanisms** | Existing reporting tools, such as Annual Title Assessment Reports (ATARs), should be used to provide high-level evidence of planning progress, rather than expanding reporting requirements that duplicate decommissioning plans or financial assurance processes.
- **Support for innovation and collaboration** | Government can encourage technology trials, joint industry projects and supply chain development to reduce costs and position decommissioning as an opportunity for Australian jobs, skills development and exports.

7. What should be in a decommissioning plan?

A decommissioning plan should be a standalone document that matures over the asset lifecycle and provides clear evidence of planning without duplicating existing regulatory submissions, such as Field Development Plan (FDP) variations, ATARs, Environment Plans or financial assurance submissions.

The plan should draw on the UK's program templates and guidance, which emphasise clarity and proportionality, tailored to the Australian regulatory context. The plan should be submitted at a logical point in the asset lifecycle, with updates triggered by material changes rather than rigid intervals or mandatory FDP reviews. Commercially sensitive information must be protected from unintended disclosure.

This approach, avoiding statutory declarations or expanded ATAR requirements, would provide regulators with targeted assurance while minimising duplication and industry burden, supporting efficient and transparent planning.

Decommissioning plans would typically be prepared on a title-area basis. However, a multi-title decommissioning plan could be appropriate where titles are in geographic proximity, have the same ownership structure, and similar cessation-of-production timing, allowing a single decommissioning campaign or project to span multiple facilities.

Recommended core contents, to be developed collaboratively with industry for practicality, could include:

- Executive summary and background
- Decommissioning objectives and principles
- Description of proposed decommissioning activities
- Schedule and phasing
- Safety, environmental and socioeconomic impact assessment
- Cost estimates and financial considerations
- Post-decommissioning arrangements

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

A decommissioning plan should provide robust regulatory visibility while avoiding disproportionate burden on titleholders, particularly in the early stages of a project where uncertainty is inherently high. A tiered, lifecycle-based approach would allow responsible titleholders to demonstrate planning from the outset, with increasing detail as assets mature.

Annual high-level progress updates could leverage existing mechanisms, such as ATARs, with more detailed revisions before cessation of production. This progressive framework – moving from conceptual early inputs to detailed late-life submissions – encourages transparency and continuous improvement, rewards proactive behaviour with flexibility, and avoids unnecessary FDP reviews or expanded ATAR requirements.

Recommended timing, informed by UK practice, could include:

- **Initial submission** | Require a preliminary or high-level decommissioning plan early in the project lifecycle, such as at acceptance of a major permitting document (for example, an Offshore Project Proposal, FDP or initial Environment Plan). This could include conceptual strategies, infrastructure inventory, scope assumptions and high-level cost estimates aligned with financial assurance.
- **Updates** | Adopt a material change-triggered approach, supplemented by risk-based milestones, rather than rigid fixed review cycles. Key triggers could include:
    - Significant changes in forecast end-of-field life (for example, shifts of more than three to five years).
    - Major changes to infrastructure, title transfers or changes in control, or alignment with financial assurance reviews to minimise duplication.
    - Regulator requests for higher-risk assets.
- **Revised plan** | Require a more comprehensive plan approximately 10-15 years before forecast cessation of production, based on current FDP or ATAR forecasts. This would allow sufficient time for option assessment, scheduling and procurement planning, while embedding decommissioning considerations well before late-life triggers.

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

Cost estimation and reporting for offshore decommissioning could be improved by drawing on approaches from mature jurisdictions such as the UK and Norway. These regimes demonstrate the value of collaboration, standardisation and benchmarking in reducing costs and improving cost certainty and delivery efficiency.

Key improvements could include:

- **Co-developed, standardised guidance and templates** | Government to work with industry to develop Australian-specific guidance for decommissioning cost estimation, informed by established UK practices and templates such as the UK Guideline on Decommissioning Cost Estimation (Issue 3) and UK's Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) detailed Decommissioning Programme templates. Standardised work breakdown structures (WBS), generic economic assumptions and probabilistic

modelling approaches would improve consistency, reduce variability in estimates, and facilitate regulator review, without requiring bespoke submissions that duplicate financial assurance processes.

- **Risk-based, tiered reporting** | Cost estimates should be anchored primarily in the standalone decommissioning plan and aligned with financial assurance reviews, rather than being expanded into ATARs or frequent FDP variations.
- **Incentives for accuracy and efficiency** | Streamlined assessment processes could be provided for titleholders demonstrating robust and well-supported estimates using agreed methodologies. Support for collaborative campaigns and technology trials would help reduce costs and support domestic supply chain development.
- **Protection of commercially sensitive information** | Clear safeguards under the OPGGSA, supported by co-designed guidance, should ensure cost information informs regulatory oversight without creating disclosure risks or duplicating financial assurance requirements.

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

Proposed alternative end states should be included in the decommissioning plan and associated cost estimates in a proportionate and practical manner that supports robust planning without imposing undue early-life burden. Detailed assessment of alternative end states should be expected closer to decommissioning, as information and certainty improve.

Consistent with the OPGGSA framework and current regulatory guidance, this approach would allow titleholders to demonstrate alternatives to full removal, such as partial removal or leaving infrastructure in situ, where they can be shown to deliver equal or better outcomes and the reduction of risks to ALARP levels.

Drawing on UK practice, where separate templates are used for non-derogation (full removal) and derogation (alternative cases), the decommissioning plan should include a structured comparative assessment comprising:

- A **"removal case."**
- An **"expected case"** (where an alternative end state is proposed), supported by evidence addressing safety, environmental impacts and risks (reduced to ALARP), socioeconomic considerations, and stakeholder consultation.
- **Progressive detail over time**, with high-level options and rationale presented earlier in the lifecycle, maturing into detailed comparative assessments and execution planning nearer to end-of-field life.

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?*

Greater transparency on decommissioning planning can provide significant benefits to the supply chain and the broader decommissioning industry if information is shared in an appropriate and carefully managed way. Experience from the UK, including initiatives such as the North Sea Transition Authority's (NSTA) decommissioning data dashboards and industry portals, demonstrates how visibility can support investment, capability development and efficient delivery.

Key benefits include:

- **Certainty and forward visibility** | Aggregated and anonymised information on planned decommissioning activity – such as numbers of wells to be plugged, subsea infrastructure, pipelines and platform removals over a five- to ten-year horizon – allows suppliers to anticipate demand, invest in vessels, equipment, skills and training, and plan campaigns efficiently. Improved visibility also enables regulators to better resource approval processes and support timely delivery.
- **Collaboration and efficiency** | Greater transparency can encourage joint ventures, shared resources and campaign-based execution, which is a major driver of cost efficiency. This approach can reduce overall costs while supporting domestic jobs and export opportunities.
- **Market development** | High-level summaries published through national portals or periodic reports can signal upcoming opportunities and support the objectives of the Offshore Resources Decommissioning Roadmap, including local content development and international competitiveness.

Potential drawbacks and mitigating actions include:

- **Commercial sensitivity** | Detailed decommissioning plans may reveal proprietary strategies, production forecasts or commercial vulnerabilities, creating risks of competitive disadvantage or unintended disclosure, including through freedom of information processes. This can be mitigated by limiting the shared information to aggregated and anonymised, high-level data, supported by clear protections for commercially sensitive information under the OPGGSA.
- **Premature or inaccurate signalling** | Early-stage plans are inherently uncertain, and subsequent changes could undermine confidence if suppliers over-invest based on outdated information. This can be mitigated by focussing information sharing on more mature, near-term plans (for example, within five to seven years of forecast cessation of production), accompanied by clear caveats regarding uncertainty.
- **Regulatory and reporting burden** | Additional reporting requirements could duplicate existing processes and increase administrative costs. This can be mitigated by leveraging standalone decommissioning plans and existing mechanisms, such as high-level ATAR summaries, with incentives for voluntary early disclosure.

Financial planning and assurance

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

A financial plan for decommissioning should be a confidential, standalone document that integrates with the broader decommissioning plan. Its purpose should be to provide regulators with targeted assurance that funding will be available when required, while avoiding duplication with corporate reporting, financial assurance processes or ATARs.

Consistent with industry preference for adapting the UK DSA model, decommissioning security should be calculated on a post-tax basis rather than a gross basis, avoiding unnecessary capital tie-up. Financial plans should focus on phased and practical arrangements, without requiring full upfront provisioning.

Key elements of the financial plan should include:

- **Cost estimation governance** | The processes and governance arrangements used to develop, review and update decommissioning cost estimates.
- **Funding and security strategy** | An overview of proposed funding and security mechanisms – such as DSAs between titleholders/former titleholders, trust funds or parent company guarantees – including the timing of provisioning over the production life and how they address joint and several liability incentives.
- **Financial capacity evidence** | High-level information demonstrating financial capacity, including summary indicators of titleholder(s) and, where relevant, parent company net worth, cashflow outlook and any parent credit ratings, and joint venture participant strengths, demonstrating inherent solvency support, without disclosure of commercially sensitive or proprietary data.

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

Assessment of financial planning for decommissioning should adopt a risk-based, proportionate and collaborative approach. It should recognise Australia's existing regulatory framework, the strong financial capacity of most titleholders, and the inherent protections provided by joint and several liability within joint venture structures. This approach closely reflects the UK model, where additional security is required only where genuine risks are identified.

Key assessment criteria should include:

- **Financial capacity and standing of titleholders** | Regulators should assess the financial capacity of each titleholder and assign a risk rating, ranging from low to high, following implementation of the financial assurance framework.
- **Focus on financial strength and risk rating** | Assessment should focus primarily on the collective financial strength of current and, where relevant, former titleholders, including parent company net worth, liquidity, cashflow projections, debt servicing capacity and any parent credit ratings, and overall solvency. The composition of the joint venture should be given significant weight, as joint and several liability creates strong commercial incentives for partners to conduct thorough due diligence and provide mutual solvency support, effectively acting as indirect financial assurance. A tiered approach to risk, as follows:
    - **Low risk** | all companies within the title have been assessed as sufficient or adequate financial capability.
        - Regulator to seek attestation that adequate financial security arrangements are in place, with regulator to review using publicly available information if necessary.
        - No further reviews required.
    - **Medium risk** | there may be concerns regarding one of the companies' ability to fund all their liabilities.
        - Regulator should review to ensure adequate financial assurance cover is in place for each titleholder and to ensure these are robust in case it becomes high risk in next review cycle.

- **High risk** | all companies and any trailing liability entities in the title give concern.
    - High risk titleholders should be required under legislation to enter into a DSA with the regulator/government as beneficiary.
    - Regulator to ensure adequate and acceptable financial assurance security is in place and available to the regulator/government as necessary before decommissioning cost estimates exceed value decline in the field.

Government should also consider:

- Robustness and realism of decommissioning cost estimates.
- Effectiveness and appropriateness of the proposed funding strategy.
- Protection for trailing liability entities and taxpayers.
- Evidence of proactive governance and compliance.
- Broader contextual factors including project maturity, reserve life, economic viability, and sensitivity to external risks assessed holistically rather than in isolation.

Clear, co-designed guidelines and thresholds should support these criteria, with transparent engagement between regulators and industry to calibrate high-risk triggers. Where titleholders are assessed as low risk, regulatory intervention should be limited and rely on voluntary commercial arrangements. This approach gives confidence to government and industry while supporting investment, energy security and efficient delivery of decommissioning activities.

Regulators should have the power to request financial information, decommissioning planning information, and security information in respect of each titleholder's share of the obligation (with specific requirements to be determined).

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

Robust financial arrangements for decommissioning should prioritise flexibility, cost efficiency and strong commercial incentives, while focusing regulatory intervention on high-risk titleholders. Arrangements should align with established international practice and avoid inefficient upfront capital commitments that could deter investment, accelerate premature field cessation or undermine energy security. The industry-endorsed Financial Assurance Framework (see Annex 1) supports adapting the UK DSA model to an Australian commercial sand regulatory context, complemented by other established instruments.

The following forms are considered robust demonstrations of available funding, with rationale grounded in industry objectives and international precedents:

- **Decommissioning Security Agreements (DSAs)** | DSAs, adapted from UK-standard templates, are the preferred primary mechanism. These are voluntary, commercially driven agreements between current and/or former titleholders (with government able to become a beneficiary once avenues against current titleholders are exhausted). Key features of this model include:
    - Leverage joint and several liability to create strong mutual incentives for titleholders to police performance and ensure sufficient contributions.
    - Provide legally binding security.

- Cost-efficient security is phased and provided only when genuinely needed, avoiding premature capital tie-up.
- Simple to administer (industry-led with regulatory oversight) and flexible (can incorporate various underlying instruments).
- Proven effectiveness in the UK, where DSAs are standard market practice entered around field development approval.

- **Acceptable forms of security**
  - **Segregated trust funds or dedicated ring-fenced accounts** | Often used within or alongside DSAs to accumulate provisions progressively over the production life, ensuring funds are protected for decommissioning while aligning contributions with cashflows.
  - **Parent company or corporate guarantees |** Provided by creditworthy parent or related entities, offering recourse to stronger balance sheets. These are commonly accepted in global oil and gas transactions and complement joint ventures due diligence without immediate cash outlay.
  - **On-demand bonds or letters of credit** | Issued by reputable financial institutions, providing immediate liquidity where required, typically for bridging specific risks or higher-risk scenarios, though typically more expensive and used selectively.
  - **Insurance products** | Where available, tailored insurance can transfer defined risks to specialist providers, supplementing other arrangements.

These arrangements should be phased rather than fully upfront, adaptable to project-specific circumstances, and aligned with Australia's joint venture structures and trailing liability regime. DSAs, in particular, enable industry-led risk management while providing regulators with the ability to mandate direct security for high-risk titles. This balanced approach ensures decommissioning obligations are met and maintains Australia's attractiveness for ongoing investment in mature assets and the energy transition.

Decommissioning and financial capacity risk assessments

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

Decommissioning and financial capacity risk assessments should focus on genuine vulnerabilities while recognising the protections already provided by Australia's existing regime, including joint and several liability within joint venture structures, partner due diligence and governance, the trailing liability framework, and the robust financial standing of most titleholders.

This approach is consistent with the industry-endorsed Financial Assurance Framework (see Annex 1) and UK approach which allows industry-led arrangements such as DSAs to operate effectively for most titles, only requiring additional security where financial capacity concerns are evident.

To ensure predictability, minimise unnecessary intervention and support continued investment, assessments should consider:

- **Financial strength and capacity of current titleholders** | Key indicators including net worth, parent company strength, liquidity ratios, cashflow projections, debt servicing capacity, credit ratings, and overall solvency. Assessments should give significant weight to the presence of

strong, creditworthy joint venture partners, reflecting the mutual incentives created by joint and several liability and robust partner selection practices.

- **Potential exposure of trailing liability entities** | The extent to which former titleholders and related bodies corporate may be within scope for remedial directions, ensuring the framework complements, rather than duplicates, existing protections.
- **Project-specific characteristics** | Asset maturity, remaining economic reserves, production outlook, field economics and proximity to end-of-field life. Late-life or marginal assets warrant closer scrutiny while producing fields with robust cashflows and longer reserve lives should be treated as lower risk.
- **Joint venture composition and governance** | Evidence of effective due diligence, governance and historical performance, recognising the established operation of unincorporated joint ventures in Australia and their role in providing indirect financial assurance.
- **Quality of decommissioning planning and cost estimation** | Evidence of proactive, maturing planning, credible cost estimation approaches and integration into corporate decision-making, consistent with existing legal obligations and good governance.
- **External and macro risks** | Sensitivity to commodity price volatility, inflation, supply chain constraints and other external factors that could materially affect capacity.
- **Compliance and track record** | Compliance history under the OPGGSA, including evidence of good oilfield practice and delivery against previous decommissioning obligations where relevant.

High-risk titles, where capacity concerns are substantiated, should trigger mandatory direct security to government in the form of a DSA. For all others, voluntary commercial mechanisms should suffice, with regulators retaining oversight powers.

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

Financial capacity assessments should be conducted in a manner that avoids unnecessary frequency and administrative burden. Most titleholders' financial positions are stable and existing protections from joint and several liability and the effectiveness of industry-led mechanisms like DSA's should be reflected in assessment settings. Consistent with the industry-endorsed Financial Assurance Framework (see Annex 1) and the preferred UK model, the emphasis should be on monitoring for material change and escalating scrutiny only where risks genuinely emerge.

A recommended approach includes:

- **Routine assessments** | A light-touch review for all titles, integrated with existing reporting processes. This should focus on material changes in financial indicators or project status, without requiring full reassessment unless material risks are identified. Low-risk titles with strong joint ventures and robust planning should face minimal scrutiny.
- **Escalated assessment** | More detailed assessments should be reserved for higher-risk circumstances or as projects approach cessation of production and should be evidence-based rather than driven by rigid fixed cycles.

Circumstances that should trigger an updated or full reassessment include:

- **Material deterioration in financial capacity** | Significant deterioration in credit ratings, liquidity, net worth or debt servicing capacity; material corporate restructuring; or insolvency events affecting a titleholder or key joint venture participant. Assessments should consider joint venture arrangements and the overall financial capacity of the project where relevant.
- **Title transfers or changes in control** | Transfers of interest, farm-in/farm-out activity, changes in operatorship or other events requiring review of incoming parties and continued alignment with joint venture solvency support.
- **Significant project developments** | Major reserve revisions that shorten field life, significant infrastructure changes, or approaching end-of-field life milestones, with scrutiny increasing nearer to execution.
- **Material updates to decommissioning cost estimates or plans** | Significant increases in estimated liabilities or other material changes affecting expected costs or timing.
- **Regulator-identified concerns** | Issues identified through monitoring or compliance activity, subject to procedural fairness and right of reply.

This event-driven framework, supplemented by light-touch annual monitoring for low-risk titleholders, supports timely intervention where needed while providing predictability for industry. It leverages joint venture incentives and existing trailing liability mechanisms, avoids inefficient over-regulation, and aligns with the policy objective of targeted risk management.

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?*

Financial capacity assessments should be conducted primarily at the project (title) level. This reflects the field-specific nature of decommissioning liabilities, the structure of unincorporated joint ventures and the incentives created by joint and several liability. It also aligns with the industry-endorsed Financial Assurance Framework (see Annex 1), where security and DSAs are generally structured on a field-by-field basis.

A portfolio-wide approach applied as a default would risk obscuring project-level protections provided by join venture solvency support and could impose unnecessary aggregation burdens that do not reflect how liabilities arise or are managed.

However, a limited, targeted portfolio-level review may be appropriate in higher-risk circumstances to provide a holistic view of concentrated risks, particularly for smaller or independent titleholders with multiple interests and limited corporate resources.

A balanced dual approach would:

- **Maintain project-level primacy**
    - Decommissioning obligations and costs are title-specific under the OPGGSA.
    - Joint ventures provide indirect financial assurance through due diligence, governance and mutual enforcement incentives.
    - DSAs are typically field-based, allowing tailored and efficient security without cross-subsidisation across unrelated projects.

- **Introduce selective portfolio-level consideration**
    - For titleholders with material aggregate exposure relative to corporate resources, regulators could request a high-level overview of total decommissioning liabilities and overall financial capacity.
    - This should be triggered only for genuinely higher-risk entities (for example, where project-level protections are weaker or corporate strain indicators emerge), not applied broadly as a default assessment.
    - Portfolio-level information should remain high-level and informational, focusing on systemic risks, while preserving project-level assessments as the primary mechanism.

Implementation safeguards should ensure proportionality and confidence, including:

- Clear, co-designed thresholds for when portfolio-level review is warranted.
- Reliance on existing information sources, where possible, to minimise additional burden.
- Procedural fairness, including dialogue and right of reply.

This hybrid approach strengthens protections without undermining investment certainty.

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

Any expansion of information gathering and sharing powers should be carefully calibrated and developed in close collaboration with industry. Additional reporting or disclosure obligations should be demonstrably necessary – delivering clear regulatory benefits without undermining commercial confidentiality, duplicating existing processes or deterring investment in Australia's offshore resources.

Key factors to consider include:

- **Necessity and proportionality** | Powers should be limited to information that is genuinely required to assess and manage financial assurance risk.
- **Alignment with international precedent** | Comparable jurisdictions, including the UK, share aggregated and anonymised forward-looking information while maintaining strict protections for commercially sensitive data.
- **Impact on investment and operations** | Excessive or poorly targeted disclosure obligations risk discouraging investment in mature assets or accelerating premature cessation where commercial or competitive risks are perceived to increase.

Associated risks can be managed through the following approaches:

- **Minimising regulatory burden** | Rely on existing submissions and processes, such as decommissioning plans, DSA arrangements and high-level ATAR summaries, rather than creating new or duplicative reporting streams.
- **Robust confidentiality protections** | Strengthen and clarify safeguards under the OPGGSA, including secrecy provisions, explicit freedom of information exemptions for commercial-in-

confidence information, and defined redaction protocols. Public disclosure should be limited to aggregated or anonymised data, with detailed information restricted to regulators.

- **Controls on granularity and timing** | Focus information sharing on mature, near-term activities (for example, within five to ten years of execution), accompanied by clear caveats regarding uncertainty to avoid misleading supply-chain signals.
- **Collaborative design and governance |** Co-develop any expanded powers, guidance and information-sharing platforms with industry through dedicated working groups to ensure practicality and build trust.
- **Targeted application** | Apply enhanced information powers selectively to high-risk titles, while maintaining a light-touch approach for the majority of titleholders with strong financial standing and joint venture protections.

Compliance and enforcement tools

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

Compliance and enforcement tools should be fit-for-purpose, building on the already robust framework under the OPGGSA and adapting proven elements of the UK approach. The objective should be to reinforce responsible behaviour by titleholders while avoiding blunt measures that create unnecessary cost, capital inefficiency or regulatory uncertainty. At the same time, regulators should retain the ability and willingness to apply enforcement tools in serious or persistent cases.

Appropriate tools and mechanisms include:

- **Enhanced monitoring and transparency through existing processes** | Strengthen oversight through reviews of standalone decommissioning plans and financial assurance submissions, integrated with existing mechanisms such as ATARs, environment plans and safety cases.
- **DSAs as the default compliance incentive** | Encourage widespread use of industry-led DSAs among current and former titleholders.
- **Targeted statutory powers for high-risk cases** | Retain and clarify existing regulatory powers – such as remedial directions under sections 586–587A of the OPGGSA and acceptance or withdrawal of plans – to mandate specific actions or direct financial security only where substantiated financial or compliance risks exist.
- **Improvement notices and enforceable undertakings** | Use graduated tools, including improvement notices and negotiated enforceable undertakings, allowing titleholders to implement corrective actions within reasonable timeframes.
- **Trailing liability as a backstop** | Continue to rely on the trailing liability regime as a strong deterrent and ultimate safeguard against cost-shifting.
- **Collaborative guidance and industry partnerships** | Co-develop detailed compliance guidelines, templates, and best-practice sharing to clarify expectations upfront.

Mechanisms that should be avoided or minimised include:

- Broad mandatory requirements for full upfront security, which unnecessarily tie up capital and deter investment.
- Overly frequent or duplicative reporting obligations.

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

A financial assurance enforcement tool should complement Australia's existing framework, as proposed in the industry-endorsed Financial Assurance Framework (see Annex 1). In the proposed Framework, enforcement is targeted and proportionate and is rarely required because of the effectiveness of industry-led mechanisms, such as DSAs.

Well-designed enforcement tools could support compliance by:

- **Requiring or calling on financial security** | For high-risk titles where measures (e.g., DSA's) are absent or inadequate, regulators could require direct security – such as bonds, trusts or letters of credit, or call on existing security to fund remedial works or a DSA with government. This ensures funds are available, while low-risk titleholders continue to rely on commercial solutions.
- **Linking remedial directions to financial backing** | Existing powers under sections 586–587A of the OPGGSA could be strengthened by ensuring directions are supported by appropriate security, enabling obligations to be carried out if a titleholder defaults.
- **Graduated penalties for assurance failures** | Administrative or civil penalties for failure to provide or maintain required assurance would create a clear escalation pathway and encourage timely compliance.
- **Suspension or cancellation of titles as last resort** | Retention of ultimate sanctions for persistent non-compliance ensures obligations cannot be avoided through prolonged delay.

To ensure enforcement supports compliance and investment certainty, the following principles should apply:

- **Risk-based targeting** | Tools should apply only where substantiated financial capacity or compliance concerns exist, with clear thresholds and procedural fairness, including rights of reply and appeal.
- **Proportionality and predictability** | Enforcement should follow a graduated pathway – from notices, to directions, to calling security or penalties – supported by transparent guidance.
- **Preference for collaboration** | Regulators should prioritise dialogue and enforceable undertakings, allowing titleholders to propose corrective actions tailored to project-specific circumstances.
- **Avoidance of blanket upfront requirements** | Consistent with UK practice, enforcement should support phased, needs-based security rather than full upfront provisioning.

Implemented in this way, financial assurance enforcement tools provide a credible backstop that strengthen compliance incentives, particularly for marginal cases, while preserving a voluntary, industry-led framework for the majority of titles.

Title surrender and post-surrender

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

Title surrender is a normal stage in the petroleum lifecycle, and responsible titleholders already integrate decommissioning planning from project inception under existing regulatory obligations. The current framework under the OPGGSA – which requires evidence that decommissioning obligations have been, or will be, satisfactorily addressed before surrender is accepted – provides a sound foundation. This is reinforced by joint and several liability and the strengthened trailing liability regime.

No broader changes, such as mandatory full removal or upfront security as a universal precondition to surrender, are recommended. Such measures would be disproportionate given existing joint venture incentives, trailing liability protections and the long-standing effectiveness of voluntary commercial solutions under the UK model.

Rather than introducing additional burdens that could deter investment or complicate legitimate title management, targeted clarifications could improve certainty without increasing costs. These could include:

- **Risk-based assessment of remaining obligations** | Acceptance of surrender should reflect that ongoing risks are extremely low to negligible and be conditional on confirmation that any residual decommissioning liabilities are adequately addressed, including through trailing liability mechanisms. Low-risk titles should benefit from streamlined surrender processes.
- **Clarification of surrender preconditions** | Regulatory guidance should confirm that full physical decommissioning is not required before surrender, consistent with current practice where decommissioning typically occurs after cessation of production. Surrender should remain available where ongoing production or viable future use continues under remaining titleholders.

These modest clarifications would enhance regulatory confidence during transitions, while preserving flexibility for industry to manage titles efficiently. They support orderly lifecycle management, encourage continued investment in mature assets, and ensure decommissioning obligations remain fully met by beneficiaries without unnecessary barriers.

Informing the decommissioning framework for offshore greenhouse gas storage

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

The development of a decommissioning and financial assurance framework for GHG storage must consider the distinct characteristics of the technology compared with conventional oil and gas operations as well as flexible pathways for the transition from petroleum activities. While the core principles of clarity, accountability and financial responsibility should be retained, technical, monitoring and financial assurance requirements should be scaled to actual risk, with greater flexibility during early deployment.

Key differences between petroleum decommissioning and GHG storage – particularly the long-term nature of containment and monitoring – should be explicitly recognised and considered separately by government. To achieve this, a dedicated review should be undertaken to consider decommissioning and financial assurance arrangements for offshore GHG storage.

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

Reforms for GHG storage should be modified to reflect the distinct behaviour of injected CO_2 and associated risks. This includes adopting fit-for-purpose well integrity and CO_2 monitoring requirements that allow for adaptive monitoring and phased adjustment of obligations as operational experience and confidence increase over time.

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

The transition from petroleum to GHG storage titles should be supported through streamlined approval pathways, pragmatic integrity assessments and flexible criteria for repurposing infrastructure. These measures would encourage re-use of suitable assets where appropriate, without imposing unnecessary regulatory burden.

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?*

Safeguards should ensure decommissioning obligations remain enforceable while avoiding unnecessary complexity or duplication during transitions. Key elements should include:

- **Retention of core safeguards** | Continue fit-and-proper tests and financial capability assessments, with lighter reporting and assurance requirements where residual risk is demonstrably low.
- **Graduated financial assurance** | Apply a staged assurance model, with requirements reducing over time as the subsurface behaviour of the CO_2 plume stabilises.
- **Single liability transfer assessment** | For ownership transitions, require a single, comprehensive liability transfer assessment at the point of transfer, rather than repeated reassessments once the transfer is complete.

Once petroleum facilities not required for CCS have been decommissioned – either removed or abandoned in situ in accordance with approvals – the petroleum title should be eligible for surrender and titleholders released from further assurance obligations. Facilities transferred for CCS injection activities should move to the GHG title, along with the associated decommissioning and financial assurance obligations.

Annex 1 | Industry-endorsed Financial Assurance Framework

Industry objectives for a Financial Assurance Framework

A fit for purpose Financial Assurance Framework should:

build on Australia's existing, sophisticated regime for regulating oil and gas projects and leverage existing globally recognised commercial practices and structures and international precedents in the oil and gas industry;

recognise that decommissioning is a normal phase of the petroleum life cycle and that, as a result, titleholders undertake detailed planning and costings of decommissioning as required by law and corporate governance requirements;

balance decommissioning obligations with other title obligations, including investment to bring Australia's resources to market for the benefit of the nation including providing energy security;

be economically efficient and utilise customary financial instruments; and support and align with a risk-based framework that identifies higher-risk scenarios.

The objective of a Financial Assurance Framework is to appropriately mitigate the risk that a registered holder of a petroleum title granted under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (**OPGGSA**), who is obligated to undertake decommissioning activities, may be unable to fund those activities at the times they are required to be undertaken.

If this risk materialises, its consequences will be borne among a specific pool of potentially affected parties, which includes:

Other registered titleholders (if any) of the title, who are jointly and severally liable to perform the decommissioning activities.

Entities with so-called "trailing liability" in respect of the title, or more specifically, recipients of a remedial direction issued by the Commonwealth Minister or NOPSEMA under sections 586, 586A, 587 and 587A of the OPGGSA.

These recipients can include former titleholders, related bodies corporate of current or former titleholders and other persons who acted jointly with the titleholder, derived a significant financial benefit from the title or had the ability to influence activities under the title (**Trailing Liability Entities**).

Government (i.e. taxpayers).

The primary goal of the Financial Assurance Framework is to limit the risk of these entities becoming responsible to carry out or meet the cost of decommissioning obligations that cannot be undertaken by a registered titleholder(s).

UK Financial Assurance Framework to be adapted for Australian practice

UK Model

The Australian upstream oil and gas industry has been in close consultation and collaboration with the Australian Government since 2022 on the design and implementation of a risk based Financial Assurance Framework.

The Australian industry strongly favours the UK decommissioning security model (**UK Model**), which has been operating successfully in the UK for over 25 years. The UK petroleum licensing regime closely resembles that established under the OPGGSA.

Financial Assurance

Under the UK Model, the regulator has the power to require that security is provided for decommissioning liabilities. However, the regulator does not generally exercise this power if:

the current and/or former titleholders have sufficient financial standing; and/or

the current and/or former titleholders have entered into a Decommissioning Security Agreement (**DSA**) to provide security for decommissioning activities, to which the government is (or can become) a beneficiary once all avenues to recover costs from present titleholders has been exhausted.

The UK Model enables titleholders to voluntarily enter into a DSA as a commercial solution to assure the funding of their decommissioning activities and to minimise and manage any trailing liability risks. In fact, it is market practice that a DSA will be entered into at or around the time of approval of a field development plan for production operations in respect of a field. As the titleholders are jointly and severally responsible to meet title obligations,[4] they are commercially incentivised to police the performance of their respective obligations and ensure that funds are available from all parties to complete these activities. The DSA is the vehicle that provides this security.

Industry considers that the UK Model broadly meets the financial assurance objectives of government and industry:

Simple to regulate: DSAs are entered into and administered by titleholders and/or former titleholders with government oversight (or government can elect to enter a DSA directly eg. It may choose to do so where there is only one titleholder or they are all affiliates).

Ensures industry covers decommissioning liabilities and complements trailing liability regime: It is in the titleholders' and/or former titleholders' best interest to ensure DSAs are legally binding and the parties' obligations to provide sufficient financial assurance are enforced. Government and Trailing Liability Entities are beneficiaries of the financial assurance and able to access it where the titleholder(s) is in default to pay for the cost of decommissioning activities.

[4] Under the *Petroleum Act 1998* (UK), a party issued with a section 29 notice is required to submit a decommissioning program in respect of a specific installation. Parties served with a section 29 notice are jointly and severally liable for carrying out decommissioning. A section 29 notice can be issued to the Operator, titleholders, JOA parties, pipeline owners, installation owners and any entity associated with the aforementioned. Government has clawback additional powers (eg. trailing liability) under section 34 of the act, to serve a section 29 notice on any person who, at any time since the issue of the first section 29 notice, was eligible to have a notice serviced on them, ensuring that such persons have contingent liability in perpetuity under UK law.

Cost efficient: Financial assurance is provided only when it is needed (i.e. full financial assurance is not required to be provided upfront), to avoid a disproportionately onerous burden on industry or the inefficient tying up of capital, which can act as a deterrent to both current and future investment and lead to premature cessation of production.

Flexibility: the DSA protects the interest of Trailing Liability entities and minimises the need for multiple or overlapping forms of securities.

High risk titles or titleholders: Government will have the statutory power to direct titleholders of High Risk (see meaning of this term in section 3 below) titles to provide financial assurance direct to, or enter into a DSA with, government.

The proposed key principles of a risk based Financial Assurance Framework based off the UK Model, as adapted to Australia, are set out in section 0 below.

Joint and several liability

Petroleum recovery activities in the Commonwealth offshore area are typically undertaken by unincorporated joint ventures, where all participants are private (non-government or sovereign controlled) entities and registered as titleholders with joint and several liability for title obligations. These governance structures have developed over many decades and create a form of indirect financial assurance to Government of the risk of unfunded decommissioning, independently of any future Financial Assurance Framework.

This assurance arises from the fact that registered holders are all liable to the Government for decommissioning obligations. If an individual holder is not able to perform its obligations, the Government can enforce those obligations against any, some or all titleholders (and, subsequently, Trailing Liability Entities). In this way, each titleholder is effectively required to provide “solvency support” to other titleholders.

Joint venture participants undertake significant in-depth due diligence and lengthy commercial negotiations as they establish and maintain their joint venture arrangements, including assessing suitability of and consenting to new persons who may seek to join their project. As part of the due diligence, the parties take a risk-based approach, looking at the cashflows of the project and the financials of their counterparties, including net worth (compared to expected commitments), debt obligations, ability to service debt and other liabilities.

The UK Model can be seen as complementing existing structures under which petroleum operations are conducted in Australia today.

Subject	Industry policy position
Legislative basis for Financial Assurance Framework	It is proposed that the existing processes under the OPGGSA and its regulations are utilised and the legislative basis for the Financial Assurance Framework is modelled off the existing financial assurance regime in s571(2) of the OPGGSA. This section provides: *"The titleholder must, at all times while the title is in force, maintain financial assurance sufficient to give the titleholder the capacity to meet costs, expenses and liabilities arising in connection with, or as a result of: (a) the carrying out of the petroleum activity; or (b) the doing of any other thing for the purposes of the petroleum activity; or (c) complying (or failing to comply) with a requirement under this Act, or a legislative instrument under this Act, in relation to the petroleum activity."* The legislative framework will be underpinned by detailed guidelines issued by NOPSEMA and or NOPTA as appropriate. The legislative framework and associated guidelines will provide that financial assurance may be required to be provided by a titleholder(s), where: the title has been classified by the regulator as High Risk following completion of a financial assessment in respect of the titleholder(s); and

Subject	Industry policy position
	an adequate Decommissioning Assurance Agreement (**DAA**) is not in place in respect of the relevant title to which government is a party.
Financial assessment of titles and titleholders	The regulator to assess the current titleholders and, to a lesser extent Trailing Liability Entities, with respect to the financial risk associated with decommissioning the wells and facilities located in each title. The assessment will assign a risk classification to all entities involved in the title. The regulator will calculate each company's: share of decommissioning costs, based on title percentage share, compared to their book value of equity; total decommissioning costs compared to book value of equity; and corporate group's share of global decommissioning exposures compared to group net-worth as determined following due diligence of public information and information provided by the applicant. Where there are multiple titleholders, a rating will be averaged based on the financial strength of all titleholders taking into account the joint and several liability of current titleholders and financial capability of Trailing Liability Entities. Titles will be ranked by low to high risk. **Low Risk** – all companies within the title have been assessed as sufficient or adequate financial capability. **Medium Risk** – there may be concerns regarding one of the companies' ability to fund all their liabilities. **High Risk** – all companies and Trailing Liability Entities in the title give concern. If the regulator believes a company has financial concerns, a secondary assessment will be carried out that will focus on: Financial check of latest accounts of company and parent; Estimated cost of decommissioning associated with the title; Net present value of fields;

Subject	Industry policy position
	A company business plan; Current value of any financial assurance; and Cashflow / funding projections. If a High Risk rating is given to a title following the secondary assessment, then the regulator may require the titleholders to enter into a DAA with or provide financial assurance direct to the regulator/government.
Demonstration of compliance	The regulator may elect to review the compliance of one or more titleholders at other times where this is considered necessary, including in connection with a financial assessment. Industry does not support additional/regular reporting mechanisms given the current requirements for decommissioning cost estimating for Australian companies: Australian Accounting Standards Board (AASB) 137 (with equivalent international standard) requires companies to include in their financial statements provision for future decommissioning costs (based on the best estimate) where “it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation”. The provision is treated as a liability in Annual Reports (called the Asset Retirement Obligation, ARO or restoration provision). Disclosure requirements for listed entities in Financial Reports, can include (not limited to) the provision amount at the beginning and end of the period (e.g. full year report). Financial statements of ASX listed companies and large proprietary companies (as defined by ASIC) are required to be audited. Internal corporate governance may include director’s audits and/or board committee audits. Decommissioning estimates may also be reviewed, verified or audited by third party lenders to titleholders.

Subject	Industry policy position
	Decommissioning estimates will be verified by the titleholders (and potentially former titleholders) in accordance with the requirements of the DAA. This verification activity seeks to ensure the titleholders (and potentially former titleholders) have a common view on the accuracy of their mutual decommissioning obligations.
High risk titleholders	Titleholders of a High Risk title may enter into a DAA-type arrangement characterised as a deed poll in favour of regulator/government, as beneficiaries and who draw upon the financial assurance. For instance, where that titleholder has not complied with a remedial direction, and NOPSEMA/government has taken action under sections 588, 589 or 590A of the OPPGSA and incurs costs in doing so.
Model form DAA	Industry will develop and publish a model form DAA in conjunction with government. Parties will be free to negotiate the terms of the DAA but will be commercially incentivised to ensure that the DAA is acceptable as "adequate" financial assurance by NOPSEMA.
Parties to and beneficiaries of the DAA and right to access financial assurance	In line with the UK Model, parties to the DAA will include the current titleholders and, if applicable, any former titleholders with trailing liability exposure. Beneficiaries to the financial assurance held in trust will also include: the current titleholders; the government/NOPSEMA/ or other relevant regulator (if that is their preference; and Trailing Liability Entities. The beneficiaries can access financial assurance where the titleholders are in default and costs have been or will be incurred by the relevant beneficiary (eg. in response to a remedial direction under sections 586, 586A, 587 and 587A of the OPGGSA). The DAA will enable financial assurance to be utilised by the titleholders to pay for the cost of decommissioning at the relevant time.

Subject	Industry policy position
Decommissioning Plan	From the trigger date, the Decommissioning Plan is prepared by the Operator on a regular basis and subject to the review and approval of the titleholders (and, in some cases, former titleholders). The Decommissioning Plan describes and estimates the cost of decommissioning activities and forms the basis for the calculation of the titleholders' financial assurance requirements.
Trigger for provision of and calculation of security	Standard industry approaches and practices should be followed. The trigger date for first provision of financial assurance will generally be when the remaining net present value of cash flow from the title (**Net Value**) is less than the net present value of the estimated cost of decommissioning (**Net Cost**) multiplied by a risk factor. The Net Value and Net Cost are drawn from the annual Decommissioning Plan. From the trigger date, the Net Value and Net Cost are recalculated on an annual basis. The annual amount of financial assurance required to be provided in respect of the title is generally the amount by which the Net Cost exceeds the Net Value multiplied by a risk factor higher than 1 (generally the same risk factor used for calculation of the trigger date as above). As Net Costs increase and Net Value decreases with declines in production, the value of financial assurance ramps up, with at least the full cost to decommission being assured by the cessation of production. The above triggers seek to ensure that financial assurance is not required to be provided materially in advance of the need for such funds (e.g. upfront or well in advance of when the activities are to be executed), which would likely add unnecessary costs (due to the high uncertainty range on the relevant estimates early in project life), lock-in capital and lead to unintended outcomes such as creating financial constraints on funding future development phases, etc.
Acceptable forms of financial assurance	Forms of acceptable financial assurance are generally negotiated by the titleholders. Titleholders of sufficient financial standing generally do not need to provide third party security or can provide corporate guarantees.

Subject	Industry policy position
Role of the Operator and Substitute Operator	The Operator takes the lead in developing the DAA as with all other aspects of decommissioning. This involves coordinating the execution of the DSA and the Trust Deed. During the term of the DAA, the Operator: prepares and submits annual Decommissioning Plans to the relevant parties for approval; produces provision invoices detailing the amount of financial assurance to be provided by each titleholder; and communicates with any Trustee in relation to actions required to be taken by the Trustee in relation to the financial assurance (eg. drawing down or distributing the financial assurance). As the role of Operator is integral to the operation of the DAA, provision is made for other entities to act as Substitute Operator, to ensure that key activities and notices can continue to be performed if, for example, the Operator is insolvent and a replacement has not been formally appointed under the JOA. Where all titleholders are in default, the DAA will house a structure that enables the funds in Trust to be accessed by relevant beneficiaries and applied to decommissioning activities.
Titleholders and former titleholders ensure compliance with the DAA	Joint venture participants undertake significant in-depth due diligence and lengthy commercial negotiations as they establish their joint venture arrangements and enter a DAA. Participants each conduct their own financial assessment review of joint venture partners and where they have concerns regarding their current or future financial health then they will commercially negotiate appropriate financial assurance obligations in the DAA. Where a defaulting titleholder has not provided or maintained its financial assurance, the non-defaulting titleholders must make up the difference to ensure financial assurance provision amounts are fully assured, until the default has been cured or the defaulting titleholder's interest in the title has been transferred to another person (eg. through enforcement of cross securities or JOA default remedies). Non-defaulting titleholders are generally incentivised to exercise available default remedies available to them.

Subject	Industry policy position
Role of the Trustee	The Trustee's primary role is to: receive and hold financial assurance from the titleholders matching the expected values in provision invoices issued by the Operator in accordance with the annual Decommissioning Plan; and take action in response to notices issued by the Operator eg. to draw down or make demands on financial assurance (eg. letters of credit, bank guarantees or affiliate/ parent company guarantees) and hold or transfer funds to beneficiaries at the appropriate time. A key benefit of utilising the Trustee is that it protects the funds from being dissipated for other purposes.
Change of titleholders	On the transfer of an interest in a title, the new titleholder will execute a Deed of Adherence to the DAA. The former titleholder will automatically become a second tier participant with all the rights as set out within the DAA. The former titleholder's financial assurance will be returned by the independent Trustee once the new titleholder has provided replacement financial assurance.
Government/ regulator's role	At a high level, this could mean, among other things: receive information as required by the DAA or the Trust Deed about the Net Cost and Net Value in order to monitor the trigger date; be notified when the trigger date has occurred; and as a beneficiary under the trust, be entitled to monitor the financial assurance held. However, the flexibility of the DAA construct means that there is less need for government to actively monitor the DAA including the funding of the trust, because it can rely to a significant degree on the titleholders performing this role themselves. It is worth noting that, with trailing liability, it is highly likely that former titleholders will want to be a party to (or remain a party to) any DAA, and would therefore also perform a monitoring role.

Subject	Industry policy position
Protection of financial assurance held in trust from insolvency	Financial assurance held by an independent Trustee under a DAA is largely considered remote from insolvency risk affecting a titleholder as the financial assurance provided by that titleholder is held by the independent Trustee. Insolvency risk manifests itself primarily with funds being accessed or clawed back to meet the pool of creditors of the insolvent entity. Certain forms of assurance – eg, cash or letters of credit are exposed to this risk. See next column for further detail.
Deductibility of decommissioning expenditure	The UK decommissioning tax regime is designed to ensure efficient tax treatment aimed at reducing the economic burden on titleholders, maximising capital available for investment and discouraging premature abandonment, while also protecting UK taxpayers. UK Treasury provides certainty of a titleholder's tax position enabling the calculation of decommissioning security to be carried out on a post-tax (rather than gross) basis, therefore minimising the amount of security that needs be provided. In the case of a default, the UK government also guarantees that the company incurring the default costs will obtain relief on the default decommissioning expenditure incurred. If the UK model is adapted for Australian use, then a material issue for resolution is whether a Trailing Liability Entity can obtain tax relief in the form of PRRT refunds and income tax deductions. In the ordinary course, the Government underwrites 58% of closing down costs through tax relief in the form of PRRT refunds and income tax deductions. However, PRRT relief may be unavailable to a Trailing Liability Entity as a refund requires "closing down expenditure" by someone who previously paid PRRT. Similarly, income tax relief is not straight forward. If a Trailing Liability Entity is reimbursed under the financial assurance arrangements, then this may have the effect of unwinding any PRRT or income tax deductions the Trailing Liability Entity is otherwise entitled to, thereby inappropriately removing tax relief for any entity.
Transfer tax history	Under the UK Model, titleholders selling assets can transfer some of their tax payment history to buyers, enabling buyers to offset decommissioning costs against that transferred tax history. This is to level the playing field between sellers and buyers and provide buyers/investors with certainty that they will be able to access tax reliefs for decommissioning costs.

Subject	Industry policy position
Protection of financial assurance held in trust from adverse tax implications	Tax analysis has indicated that there is a risk that when a Trustee under a DAA: is holding financial assurance in the form of cash; or realises non-cash security (eg. draws down a letter of credit), that this may attract a 47% tax on accumulated interest income. In addition, the position for the Trustee when it receives amounts on realisation of non-cash security is not certain. It would be inappropriate for the Trustee to be taxed on this receipt and clarification is required. Note: This will comprise a separate secondary work activity to be reviewed / addressed by a separate industry tax specialist group.