



NSW Legislative Assembly Hansard

Petroleum (Submerged Lands) Amendment (Permits And Leases) Bill

Extract from NSW Legislative Assembly Hansard and Papers Wednesday 25 May 2005.

Second Reading

Mr KERRY HICKEY (Cessnock—Minister for Mineral Resources) [10.00 a.m.]: I move:

That this bill be now read a second time.

The New South Wales Petroleum (Submerged Lands) Act 1982 is part of a set of complementary legislation governing offshore petroleum exploration and development shared by the Commonwealth, all States and the Northern Territory. The New South Wales legislation applies to petroleum resources in submerged lands adjacent to the State up to a limit of three nautical miles. The objects of this bill are to amend the Petroleum (Submerged Lands) Act 1982, to implement recommendations arising from a national competition policy review. The amendments proposed are minor and mirror those already made to the Commonwealth Petroleum Submerged Lands Act 1967.

The national competition policy review undertaken in 2000 concluded that the nation's offshore petroleum legislation was free of significant anti-competitive elements. Some restrictions on competition were identified, for example in relation to safety, the environment or the manner in which petroleum resources are managed. These restrictions were considered appropriate given the net benefits they provide to the community as a whole. The review identified one element of the legislation where scope existed to enhance competition. This relates to the total period for which the holder of a petroleum exploration permit can retain the permit. As of now, the holder of an exploration permit that is awarded in New South Wales can hold the permit for anywhere between six years, if there is no renewal, and a theoretical maximum of 46 years, or longer if extension provisions are applied.

The review concluded that, in the interests of making exploration acreage available to subsequent explorers more quickly, a limit should be placed on the number of times an exploration permittee can renew the title. The bill proposes that in future exploration permits be able to be renewed no more than twice. This will establish a maximum period of 16 years, ignoring the possibility of extensions in some circumstances. The national competition policy review also concluded there was scope to reduce potential compliance costs for industry in relation to retention leases. A retention lease is a holding right available if a petroleum discovery is currently uneconomic for exploitation but is likely to become economic within 15 years. Currently the holder of a retention lease can be asked to review the commerciality of a discovery twice within the five-year term. This was considered excessive. Accordingly, the bill proposes a maximum of one review per five-year term.

New South Wales has no current offshore petroleum production, and historically there has been little offshore exploration; only one exploration permit is currently in force. This means that the impact of the bill is negligible. However, it ensures that legislation applying to the State and adjoining Commonwealth jurisdiction is consistent and enables New South Wales to meet its national competition policy obligations. I commend the bill to the House.