

1985

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

SENATE

PETROLEUM (SUBMERGED LANDS) (CASH BIDDING) AMENDMENT BILL 1985

EXPLANATORY MEMORANDUM

(Circulated by the Authority of
the Minister for Resources and Energy,
Senator the Hon Gareth Evans, Q.C.)

PETROLEUM (SUBMERGED LANDS) (CASH BIDDING) AMENDMENT BILL 1985

Purpose

This Bill will amend the Petroleum (Submerged Lands) Act 1967 to provide for the award of highly prospective offshore petroleum exploration permits on the basis of cash bids. It will also amend the Petroleum (Submerged Lands) (Exploration Permit Fees) Act 1967 so that this Act will not apply to permits awarded by way of cash bidding.

Under the cash bidding system, permits will be awarded to companies or consortia offering the highest bid provided certain conditions are met by that bidder. The Joint Authority (the Commonwealth Minister and relevant State/NT Minister acting together) will have the power to reject bids if they are considered inadequate on account of insufficient competition, if there is evidence of collusive bidding, if the bidder does not have the technical or financial resources to effectively carry out operations offshore, or if any conditions made known prior to the bidding round are not met. Unlike existing offshore permit arrangements only limited renewal options will be available for permits awarded under the cash bidding system.

These amendments will promote the more efficient allocation of the more prospective offshore exploration areas and will improve the efficiency with which these permits are administered. The level of revenue that might be raised by the award of permits under the cash bidding system cannot be estimated at this stage as it will depend on the number of areas released during each financial year and the industry's appraisal of and response to the acreage released.

NOTES ON THE CLAUSES OF THE BILL

PART I PRELIMINARY

Clause 1

Short title

This clause provides for the short title of the legislation.

Clause 2

Commencement

This clause indicates that the provisions of the legislation will come into operation on the day on which it receives the Royal Assent.

3.

PART II AMENDMENTS OF THE PETROLEUM (SUBMERGED LANDS) ACT

Clause 3

Principal Act

The Principal Act referred to in this part of the Bill is the Petroleum (Submerged Lands) Act 1967.

Clause 4

Advertisement of blocks

The Act is amended by clause 4 to ensure that applications for the award of permits under the work program bidding system are not called at any time during the period in which applications may be lodged in relation to blocks already advertised for award of permits under the cash bidding system.

Clause 5

Application for permits by way of cash bidding

A new section, 22A, is incorporated into the Act setting out the requirements to be met by the Joint Authority in inviting applications for the award of permits under the cash bidding system and the application procedures. The arrangements are, in general, based on the existing requirements for work program bidding.

The Joint Authority will determine:

- . the areas to be released under the cash bidding system;
- . the period in which applications may be made; and
- . whether the permit to be granted will be renewable.

A summary of the conditions applicable to cash bid permits and criteria for determining whether to reject a bid will be made known by the Joint Authority at the time applications are invited.

The amendment also stipulates that blocks cannot be released under the cash bidding system while they are specified in an advertisement for award of permits under the work program bidding system.

In addition to specifying the amount bid for the award of the permit, an applicant will be required to apply for the award of a permit over all blocks on offer in each specified area and to provide:

- . details of the technical and financial resources available to the applicant to undertake the work;
- . information on any other matters that the applicant wishes to be considered; and
- . a fee of \$3,000 of which 90 per cent will be refunded if the application is unsuccessful.

5.

The Joint Authority will have the power to require applicants to furnish more information if this proves necessary to properly consider the application.

Grant or refusal of permit in relation to application

The new section 22B sets out the arrangements for considering applications and for awarding or refusing to award a permit. The Joint Authority has the discretion to reject any or all of the bids on the basis of criteria announced at the time applications are called but, if any bids remain unrejected, the permit may be offered to the highest bidder.

On payment to the Commonwealth of the amount bid, the permit will be awarded to that bidder. Where the highest bidder does not wish to take up the offer of the permit the permit may be offered to the remaining bidders in descending order of amount bid.

The Joint Authority is required to grant a permit to a winning applicant as soon as practicable after receiving payment of the amount bid.

Permit under Section 22B to continue in force in certain cases

The new section, 22C, takes account of the possibility of a permit granted by cash bidding expiring before a location is declared over a discovery and/or a production licence is granted over that discovery. This is necessary to allow discoverers of petroleum in these permits to be assured of the opportunity to retain tenure over their discoveries. The section will deem that the permit will continue in force in respect of certain blocks if those blocks are in a location or if a location is in the process of being declared under section 37 (1) of the Act in respect of those blocks. The permit ceases to be in force in respect of these blocks when a location is not declared, when a location that is declared is revoked, when a licence is granted over the blocks, or the period within which a licence application can be lodged expires.

Clause 6

Application for permit in respect of surrendered or cancelled blocks

This is a consequential amendment to section 23 of the Act to ensure that the Designated Authority can accept applications under section 23 "over the counter" for the grant of a permit where no permit has been granted in response to a call for applications under section 23 of the Act.

Clause 7

Application for renewal of permit

This is a consequential amendment to section 30 of the Act to clarify the conditions under which an application for the renewal of a permit awarded under cash bidding may be made. The availability of a renewal option for permits granted by cash bidding will be made known by the Joint Authority at the time applications are called. Only one renewal of the permit will be permitted, after which the permit will cease to exist except as provided for elsewhere in this Part.

Clause 8

Application for renewal of permit in respect of reduced area

This amendment to section 31 of the Act will ensure that only 50 per cent of the permit area eligible for renewal may be renewed. For permits awarded under the cash bidding system there will no longer be an option of renewing the permit over a minimum of 16 blocks.

Clause 9

Grant or refusal of renewal of permit

This is a consequential amendment to section 32 of the Act to reflect the absence of any requirement for a security to be lodged in respect of permits awarded under the cash bidding system.

Clause 10

Conditions of permit

This amendment to section 33 of the Act ensures that conditions relating to work and exploration expenditure which normally apply to permits awarded under the work program bidding system are not applicable to permits awarded under the cash bidding system.

Clause 11

Certain payments to be made by Commonwealth to States and Northern Territory

This amendment to section 129 of the Act removes revenue paid to the Commonwealth under the cash bidding system from the existing revenue sharing arrangements with the States and Northern Territory.

PART III AMENDMENT OF THE PETROLEUM (SUBMERGED LANDS)
(EXPLORATION PERMIT FEES) ACT 1967

Clause 12

Principal Act

The Principal Act referred to in this part of the Bill is the Petroleum (Submerged Lands)(Exploration Permit Fees) Act 1967.

Clause 13

Permit fees

This amendment to section 4 of the Act exempts permits awarded under the cash bidding system from annual permit fees.

