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To Offshore Decommissioning Directorate

WOODSIDE SUBMISSION TO THE OFFSHORE DECOMMISSIONING AND FINANCIAL ASSURANCE REFORMS

Woodside welcomes the opportunity to provide a submission to the Department of Industry, Science and Resources (DISR) consultation on the Offshore Decommissioning and Financial Assurance Reforms.

Woodside is a global energy company founded in Australia, providing reliable and affordable energy to help people lead better lives. Driven by a spirit of innovation and determination, we established the liquefied natural gas (LNG) industry in Australia 35 years ago and today supply a growing base of customers. We have reliably delivered gas to homes and businesses in Australia for decades, supporting the development of local industry and driving economic prosperity.

Woodside is committed to delivering decommissioning activities safely and responsibly, with a strong focus on environmental protection, operational and economic efficiency, and a strategic, learning-driven approach to continuous improvement. Decommissioning is integrated into project planning and operations, from the early stages of development through to the end of field life. This includes conducting assessments to inform our planning and decision making, which is underpinned by science and marine research. In the developing regulatory environment, we continue to listen, learn and respond to our stakeholders, while expanding our global decommissioning experience.

Please find below the Woodside specific comments on the consultation paper.

General reform questions (addressing questions 1-5)
Woodside recommends that Australia draw on proven international frameworks, particularly the United Kingdom (UK), which has successfully operated for over 20 years. Key elements from the UK's risk-based and pragmatic model for consideration include:

- Financial assurance mechanisms such as Decommissioning Security Agreements (DSAs) to ensure funds are available for decommissioning obligations.
- Working with industry and stakeholders to develop clear criteria and guidance for establishing in-place decommissioning end states, including a holistic assessment of environmental and ecological, social, economic, financial, cultural, technical and safety considerations.
- A regulatory approach similar to that taken by the UK's North Sea Transition Authority (NSTA), which balances efficiency with compliance, ensuring decommissioning is cost-effective, safe, and environmentally sound.
- Streamlining overlapping legislation (e.g., *Environment Protection (Sea Dumping) Act 1981* (Cth) (Sea Dumping Act) and *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (OPGGS Act) to reduce duplication and improve clarity on compliance and timing.

Offshore petroleum operations differ significantly from onshore industries because they typically involve significantly greater technical complexity and cost, requiring specialised vessels, equipment, safety requirements and expertise which tend to require long lead times. These activities take place in remote offshore marine environments, which adds logistical challenges. Offshore decommissioning projects are also subject to complex international obligations, including compliance with International Maritime Organisation

(IMO) conventions and other global standards. Given the scale and risk profile of offshore operations, robust financial assurance frameworks are essential to manage large liabilities, whereas the typically lower risk profile of onshore industries results in them typically operating under simpler, less detailed regimes.

The current decommissioning framework has several strengths, including clear titleholder responsibility under the OPGGS Act and strong trailing liability provisions introduced in 2022, as well as the National Offshore Petroleum Safety and Environmental Management Authority's (NOPSEMA) oversight of safety and environmental standards.

However, improvements are needed to make the framework more practical and proportionate, including the following:

- Greater clarity is required on pathways for end states other than full removal, where warranted, and the level of residual uncertainty acceptable to regulators.
- Comparative assessment should be adopted as a credible decision-making tool that considers environmental, technical, socio-economic, heritage, and feasibility factors.
- Regulatory processes between NOPSEMA and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) should be streamlined to avoid duplication under the Sea Dumping Act.
- In addition, rigid timelines, such as the current scheduling targets proposed in regulatory guidance, should allow for more flexible approaches that enable campaign-based planning and cost optimisation.
- Reforms should recognise that decommissioning is capital-intensive and allow flexibility within annual capital allocations to enable efficient execution without compromising safety or environmental outcomes.

Woodside notes that some of the drivers that may influence titleholder behaviour around decommissioning include cost and cash flow constraints, as these activities occur after revenue has ceased and represent a major expenditure. While prescriptive timing requirements can provide a useful baseline for planning and cost predictability, the regulatory framework should allow flexibility for titleholders to propose alternate timelines that enable campaign-based execution, scope aggregation and cost optimisation. A balanced approach - combining minimum or maximum prescribed timings with the ability to adapt to project specific circumstances - is preferable in a complex and evolving operating environment where overly prescriptive rules may hinder innovation and lead to inefficient outcomes. Flexibility should be applied through a risk-based lens, with reduced discretion for high-risk entities to ensure timely and compliant decommissioning activity.

Regulatory certainty is also critical to mitigate deferral incentives caused by uncertainty and lengthy approval processes.

Finally, a risk-based financial assurance framework is needed to prevent potential defaults by operators with lower financial resources without imposing unnecessary burdens on financially stronger companies.

Woodside recommends a phased implementation of future reforms, beginning with high-risk titles and gradually expanding to all projects. Clear guidance on new requirements - such as decommissioning plans, cost estimation standards, and financial assurance obligations - should be issued well in advance to provide certainty for industry. Reasonable adjustment periods must be allowed for smaller operators to avoid unintended defaults, while risk-based oversight combined with proportionate enforcement tools will help optimise regulator resources. Collaboration between government and industry during the transition phase is essential, including participation in working groups to refine regulatory instruments, templates, and processes.

Decommissioning Planning (addressing questions 6-11)

Woodside supports early planning for decommissioning but emphasises that plan content must avoid duplication of information already provided under other regulatory frameworks and that such information would not be provided for approval purposes but to inform such matters as financial assurance. For example, carbon capture and storage (CCS) projects already require decommissioning plans as part of Sea Dumping permit applications. Any additional requirements should be proportionate and targeted to prevent unnecessary administrative burden.

Decommissioning plans should be flexible and commensurate with project maturity. Initial plans should be high-level, evolving through updates as the decommissioning project progresses. Woodside recommends an approach similar to the Site Plan for greenhouse gas (GHG) injection licences, where content matures over time. This avoids prescriptive requirements early in the lifecycle and ensures proportionality. Formal updates occurring five years before estimated cessation of production (CoP) is reasonable, provided regulators allow flexibility for CoP timing adjustments.

Cost estimation should be staged and proportionate, starting with high-level estimates and becoming more detailed as certainty increases. Woodside does not support premature provisioning based solely on full removal; rather, credible alternative scenarios should be considered where options other than full removal are being actively assessed. Decommissioning plans would be for information purposes only to enable financial assurance and are not intended as a mechanism for approving decommissioning activities. Woodside considers that decommissioning plans would not require stakeholder consultation, as impacts relevant to interested parties are addressed through the Environment Plan consultation process. Woodside strongly encourages Government to engage with industry on the nature, format, and content of a decommissioning plan.

Titleholders should be able to identify and propose alternative options to full removal, as contemplated under the OPGGS Act, without adding prescriptive requirements. Woodside seeks clearer approval pathway guidance from DISR to provide certainty for planning and improve visibility of work scopes and costs.

Woodside supports maintaining an appropriate decommissioning register based on existing publicly available, aggregated information such as data from Environment Plans and the Centre of Decommissioning Australia (CODA). However, providing further detail on timing or specific activities is challenging due to commercial sensitivity and the variability of production plans, tiebacks and campaign approaches.

Due to the need to protect commercially sensitive information, any public disclosure on decommissioning activity should be appropriately scoped. Information can be provided through anonymised, aggregated, high-level timelines and indicative activity volumes, supported by supply-chain education to ensure this information is interpreted in context and with an understanding of inherent uncertainties. Clear caveats should accompany any published material, and project-specific details should be avoided, balancing improved supply-chain visibility with the protection of sensitive commercial information.

Financial Assurance (addressing questions 12-18)
Woodside supports a risk-based and proportionate approach to financial assurance and information sharing requirements. This is consistent with the DISR proposal that the level of financial information required should be commensurate with the risk that a titleholder cannot meet its decommissioning obligations.

Assessments should primarily occur at the project level as decommissioning obligations are title specific. The joint and several liability regime applying to petroleum titleholders has led to the implementation of commercial mechanisms to manage partner solvency risks at the project level, including ensuring each partner funds their share of decommissioning obligations. Supplementary portfolio-level review by the regulator may be appropriate in limited circumstances for smaller independent companies or higher risk joint ventures.

Risk assessments should utilise publicly available information where possible and any information provision should avoid duplication particularly where information is already available to government and could be shared between government agencies.

Decommissioning and financial capacity risk assessments should apply a tiered approach to risk, as follows:

- **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.

Regulators should develop clear, co-designed guidelines and thresholds for these criteria, engaging transparently with industry to calibrate "high-risk" triggers. Where all companies within the title have been assessed as Low Risk, having sufficient or adequate financial capability, then the regulator should limit their review of financial assurance plans for decommissioning relying on voluntary commercial solutions.

If the regulator believes a company has financial concerns, a more detailed assessment could include:

- Financial check of latest accounts of company and/or parent company;
- Decommissioning planning and estimate of decommissioning costs associated with the title;
- Cash flow projections or net present value of the fields
- High level summary of current joint venture voluntary financial assurance arrangements or financial assurance plans in place
- Evidence of proactive governance and compliance with title obligations; or

- Any other evidence provided by the titleholder

A financial assurance plan amongst joint venturers or titleholders would generally include:
- Process and governance for decommissioning planning and cost estimates;
- triggers and quantum for financial security amongst titleholders; and
- acceptable forms of financial security

Regulatory action should be effective and proportionate, imposing a lower burden on titleholders where the regulator is satisfied with the financial assurance arrangements.

Woodside supports adopting key elements of the UK's Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) model, with voluntary DSAs as a central mechanism for titleholders to demonstrate financial assurance to the regulator. Decommissioning security should be calculated on a post-tax basis, in line with the UK approach.

Voluntary DSAs are legally binding agreements entered into by titleholders which provide for the pooling of security using a range of financial instruments (e.g. parent company guarantees, letters of credit or trust arrangements), allowing the beneficiaries, including Government, to access funds when needed. Other evidence and forms of financial assurance that could be acceptable to the regulator include:
- Investment-grade credit rating evidence.
- Financial statements demonstrating sufficient net assets relative to decommissioning obligations.
- Standalone related-party corporate guarantees meeting credit rating criteria.
- Standalone letters of credit, trust/escrow arrangements, cash deposits, and insurance surety bonds from rated providers.

Assessments should follow a risk-based approach, with periodic reviews for most titleholders and increased frequency for high-risk titles or material changes. Triggers could include:
- Significant financial deterioration or credit downgrade.
- Asset transfers or titleholder change in control.
- Approaching cessation of production or when net present value of estimated decommissioning costs exceeds net present value of cash flows from the title.
- Evidence of non-compliance with assurance obligations.

Any expansion of information gathering powers should be targeted, proportionate and limited to material factors that affect the risk of non-compliance. For high-risk titleholders, regulators should only request additional information where it is genuinely required to undertake a risk based financial assessment.

Risks associated with expanded information-gathering powers can be managed by providing robust confidentiality safeguards for the secure handling of commercially sensitive information and data, with information shared only with the accountable regulatory body. Aggregated and anonymised reporting that does not identify specific projects could be made publicly available to provide industry visibility without compromising competitive integrity.

Compliance and Title Surrender (addressing questions 19-21)
Woodside considers that enforcement tools should focus on early intervention for high-risk operators while avoiding blanket measures that could discourage investment or impose unnecessary costs.

Decommissioning and financial plans should be submitted at key points in the asset lifecycle - for example, initially with an Annual Title Assessment Report and then at five-year intervals - and updated at defined milestones such as Cessation of Production. This approach provides regulators with clear visibility of technical and financial readiness.

Financial assurance enforcement should be targeted and risk based, enabling government to work collaboratively with high-risk operators to determine an appropriate amount and form of security - consistent with the intent of the UK's OPRED approach, but agreed in consultation with the relevant titleholder rather than unilaterally mandated. Appropriate forms of assurance may include, where relevant, a DSA type arrangement in favour of government. Operators and joint ventures assessed as low to medium risk should retain flexibility to manage and enforce their own obligations without unnecessary intervention.

Any enforcement mechanism should operate as a safeguard and only be applied when clear risk thresholds are met - such as evidence of financial deterioration, material ownership or structural changes, or projects approaching cessation of production. Consistent with UK principles, compliance tools should be scalable and

proportionate, focusing on higher risk operators while avoiding measures that unnecessarily lock up capital or deter investment. Decommissioning and financial plans should be updated at key lifecycle stages; this can provide regulators with early visibility of technical and financial readiness. Regulators should also have access to graduated enforcement powers, including the ability to request plan revisions or impose additional assurance requirements for higher risk titles, escalating to formal directions only when necessary.

Clear guidance on triggers and proportionality is essential to maintain confidence and avoid arbitrary application.

Current requirements under the OPGGS Act and related legislation should remain, so that decommissioning obligations are met before title surrender. However, reforms should clarify and streamline the process, particularly where residual risks can be managed through enforceable mechanisms such as financial assurance instruments. Greater clarity is needed on:

- The primacy of regulatory requirements under the OPGGS Act, Sea Dumping Act, and the London Protocol (to the extent enacted through domestic legislation).
- Pathways for surrender where long-term monitoring commitments exist (e.g. 30-year Sea Dumping permits).

Woodside recommends streamlining processes as this will reduce uncertainty, enable efficient asset transfers, and maintain environmental and financial accountability.

Greenhouse Gas Storage (addressing questions 22-25)
Woodside supports reforms that enable a smooth transition from petroleum operations to greenhouse gas (GHG) storage while avoiding duplication of regulatory requirements and unnecessary additional compliance burden.

Reforms should ensure there is no duplication of approvals or planning requirements. As one of the recent examples, Woodside notes that a decommissioning plan was originally required as part of a GHG injection licence application, but this requirement was later removed to streamline processes. This principle should remain to promote efficiency and avoid unnecessary regulatory burden.

Technical and monitoring requirements must reflect the unique characteristics of offshore GHG storage. Current Offshore GHG Injection Licence Guidelines[1] indicate that decommissioning activities should occur prior to title surrender and before commencement of the post closure monitoring program. However, in practice, some infrastructure is directly required to undertake post closure monitoring and therefore must remain in place until monitoring is complete, and the regulator issues a Closure Assurance Period declaration. Reforms should provide clarity on these requirements and enable flexibility for necessary infrastructure to remain during the monitoring period, with subsequent decommissioning aligned to the completion of monitoring obligations. Such an approach ensures regulatory consistency while supporting safe, practical and efficient post closure operations.

Reforms could include flexible financial assurance mechanisms to manage residual risks post surrender. For projects involving both petroleum and GHG activities, a holistic and integrated approach to permissioning is essential - allowing combined or streamlined documentation where appropriate. This would enable decommissioning and reuse decisions to reflect actual project requirements rather than rigid, sequential regulatory constructs. For developments being undertaken in parallel, that is petroleum and GHG operations, the framework should allow certain petroleum infrastructure to remain in place where needed to support GHG post closure monitoring or to enable efficient, campaign-based decommissioning. In sequential developments, regulations should recognise that petroleum infrastructure may need to be retained for subsequent conversion to GHG storage. Such flexibility supports safe, cost effective and efficient outcomes across the full lifecycle of both petroleum and GHG activities.

Clear safeguards are needed so that petroleum titleholders remain responsible for decommissioning obligations when transitioning to GHG operations or ownership changes occur.

Woodside recommends that government consider incentives for early petroleum decommissioning where infrastructure could be repurposed for GHG storage, such as streamlined and combined approvals or financial benefits for proactive operators.

[1] NOPSEMA Guideline: Offshore Greenhouse Gas Injection Licences

Concluding remarks

Woodside is committed to supporting the Government as it progresses these decommissioning reforms; and would welcome participation in further working groups or collaborative forums. This could include opportunities to share decommissioning plan templates, comparative assessment approaches, and insights from mature regulatory frameworks such as the UK system. Through continued collaboration, we believe the reforms can be implemented in a way that strengthens regulatory clarity while supporting efficient and responsible industry practice.

Yours sincerely,

Breyden Lonnie
Acting Executive Vice President and Chief Operating Officer Australia