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Ref: C025-IPX-AGO-LE-00001

8 November 2019

Resources Sector Regulation
Productivity Commission
Locked Bag 2
530 Collins St East
Melbourne VIC 8003

By online form: www.pc.gov.au/inquiries/current/resources/make-submission#lodge

RE: Review of Resources Sector Regulation

Thank you for the opportunity to provide this submission to the Productivity Commission's Review of Resources Sector Regulation.

This submission is made by INPEX Operations Australia Pty Ltd (INPEX). As the flagship Japanese oil and gas company, INPEX's mission is to contribute to the creation of a brighter future for society through our efforts to develop, produce and deliver energy in a sustainable way.

Ichthys LNG is one of the largest resource projects in Australian history. It represents the single largest overseas investment by a Japanese company, and by definition, the single largest Japanese investment in Australia.

INPEX acknowledges that this review was initiated by the Hon. Josh Frydenberg MP, Treasurer. We understand that the review is part of the Australian Government's regulatory reform agenda to tackle a range of barriers to investment with the aim of boosting efficiency, productivity and job creation.

This submission will provide the Commission with an understanding of INPEX's position on better regulation of the resources sector and we hope that the Commission finds our submission beneficial to its review.

We look forward to contributing to the inquiry and learning of its outcomes.

For further information, please do not hesitate to contact my deputy Bill Townsend

Yours sincerely

Tetsuhiro Murayama
Vice President Corporation Coordination

INPEX Submission to Productivity Commission: Resources Sector Regulation

Executive Summary

INPEX welcomes the opportunity to make this submission to the Productivity Commission to assist in examining regulations affecting business investment in the resources sector in Australia.

As the Commission rightly notes in the Issues Paper, "Regulation plays a critical role in ensuring that resources projects across Australia meet community and environmental management expectations. However, regulations may pose unnecessary burdens or impediments on resources companies operating, or seeking to operate and invest, in Australia."

INPEX encourages government at all levels to support business investment in Australia. In a competitive global environment, the removal of impediments to investment is crucial. Furthermore, governmental support on stable policy settings can enable further investment into Australia for major projects such as Ichthys LNG.

Accordingly, our submission focuses on the following main themes of the Commission's Issues Paper:

1. Best practice project approval processes;
2. Processes to reduce complexity and duplication and improve transparency for current and future investors;
3. Environmental management and compliance arrangements that have resulted in the removal of unnecessary costs;
4. Best-practice examples of government involvement in the resources approvals process to expedite project approvals; and
5. Examples of effective community engagement and benefit-sharing practices.

The submission includes case studies and examples of where regulation is working well and where there is scope for improvement.

The Commission's assessment criteria for determining whether current regulatory approaches are effective and constitute best practice in the areas of regulatory design, regulator governance and regulator conduct are a good starting point. Our submission suggests there is a need also to focus on ensuring that both the policy intent of the regulation and that the compliance requirements are clear. This is important to avoid unintended consequences.

Bilateral agreements between the Australian Government and the state/territory governments to streamline assessments and approvals are good examples of measures helping to reduce duplication between jurisdictions. However, looking to the future, a national approach, or in the absence of that, a harmonisation of state approaches, such as climate change policy, will deliver the best outcome for the nation's greenhouse gas emissions reduction at the lowest cost while minimising adverse impacts on investment. Our submission also includes specific comments regarding carbon capture and storage (CCS) and access to international carbon credits.

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) has taken on the role of a one-stop-shop for offshore approvals. In a very real way, NOPSEMA's work on the reference case project is expected to reduce unnecessary costs in producing Environment Plans.

Changes to Australia's migration zone and quarantine zone are examples where reforms increased compliance costs and unintended consequences created undesirable imposts on the resources sector. This submission provides case studies concerning maritime visas and biosecurity arrangements for supply vessels.

Support from the Northern Territory Government was crucial in attracting the Ichthys LNG Project (Project) to the Northern Territory. Following our decision to construct a pipeline from the Ichthys Field in the Browse Basin to Bladin Point in Darwin, the Project was granted Major Project status and ongoing case management. From a whole-of-government perspective, this ensured the Project was assessed to a high standard in a cooperative manner and significantly assisted in expediting the approval of the project. Adopting the Northern Territory model in other jurisdictions has significant benefits.

In relation to community engagement and benefit-sharing, INPEX is committed to contributing to the sustainable development of communities in northern Australia and improving social and economic wellbeing while minimising our impact. We have been innovative in our approaches to engaging with communities and sharing the benefits from the Ichthys LNG Project through the development of the Larrakia Ichthys LNG Foundation Trust and Australian Industry Participation Policy.

The driver for resources regulation should be to deliver superior environmental outcomes while maintaining the competitiveness of the Australian LNG industry.

This submission makes the following recommendations for consideration:

Recommendation 1: That the Commission's assessment criteria for best practice regulation include ensuring that both the policy intent of the regulation and the compliance requirements are clear.

Recommendation 2: That bilateral agreements for reducing duplication between jurisdictions be strengthened through the incorporation of relevant statutory deadlines to reduce scope for delays.

Recommendation 3: That a national approach, or in the absence of that, a harmonisation of state approaches, to greenhouse gas emissions reduction be adopted.

Recommendation 4: That initiatives such as NOPSEMA's reference case project be undertaken in other areas of regulation to standardise requirements and streamline compliance.

Recommendation 5: That further refinement of the Migration Amendment (Offshore Resources Activity) Regulations 2018 be made to remove the requirement for offtake vessels visiting offshore resource installations to arrive directly from and return directly to an international port.

Recommendation 6: That the Northern Territory Government's streamlined approval process and case management by the Major Projects Team to coordinate and fast track assessments be adopted by other jurisdictions.

1. BEST PRACTICE PROJECT APPROVAL PROCESSES

Summary

The Commission has developed assessment criteria (Table 1, below from the Issues Paper) for determining whether current regulatory approaches are effective and constitute best practice in the areas of regulatory design, regulator governance and regulator conduct.

Table 1 **Assessment criteria for best-practice regulation**

<i>Regulatory design</i>	<i>Regulator governance</i>	<i>Regulator conduct</i>
<ul style="list-style-type: none">• Consultation during regulation-making is sufficient• Objectives of regulation are clearly defined and consistent across different regulations• Regulation is not overly complex or excessively prescriptive• Regulation is regularly reviewed	<ul style="list-style-type: none">• Roles, responsibilities and requirements of different regulatory agencies are clear and duplication is avoided• Decision makers are accountable• Regulators are independent• Regulators are adequately resourced and have necessary capabilities	<ul style="list-style-type: none">• Regulators' processes are clear, predictable, open and transparent• Regulatory outcomes are consistent with objectives• Administrative costs are no higher than necessary

Sources: COAG (2007); OECD (2014); PC (2009, 2013a, 2013b).

Ichthys LNG Project

Ichthys LNG is a Joint Venture between INPEX group companies (66.245%, the Operator), major participant Total (26%), CPC Corporation and the Australian subsidiaries of Tokyo Gas, Osaka Gas, Kansai Electric Power, JERA and Toho Gas.

Gas from the Ichthys Field, in the Browse Basin about 200 kilometres offshore of Western Australia, undergoes preliminary processing offshore to remove water and extract condensate. The gas is then exported to onshore processing facilities in Darwin via an 890 km subsea pipeline.

Ichthys LNG is expected to produce up to 8.9 million tonnes of LNG and 1.6 million tonnes of LPG per year, along with 100,000 barrels of condensate per day at peak.

Ichthys LNG delivers many economic benefits to Australia.

During the construction phase of the Ichthys LNG Project (2012 to 2018), more than 49 per cent Australian content was achieved, which comprised more than \$25 billion in contracts, procurement and project owner costs.

In the Northern Territory (NT), more than 1,150 local businesses have secured work through 6,000 contracts and purchase orders to date. Further, more than \$175 million in contracts and purchase orders have been awarded to 62 Aboriginal and Torres Strait Islander business.

The Ichthys Project created thousands of employment opportunities for locals in the NT, and approximately \$12.5 billion has flowed through the NT economy as a result of Project activity to date.

The total Western Australian (WA) cumulative commitment value for Ichthys Project construction from 2012 to 2018 was nearly \$9 billion.

An independent third-party economic consultancy, ACIL Allen, conservatively estimates the contribution over the life of the Project (2012-2050) to include:

- \$195 billion in exports for Australia;
- \$190 billion in additional Gross Domestic Product for Australia;
- \$73 billion in taxation revenue generation for governments of Australia (\$1.9 billion per year);
- \$91 billion increase in Australian real income;
- The average annual increase in exports from Ichthys LNG will be:
 - Greater than total exports from the Tasmanian economy in 2015-16 (\$4.2 billion);
 - Around 89 per cent of exports produced in the Northern Territory in 2015-16;
 - Greater than Australia's total wheat exports in 2014-15.
- The average taxation payments generated from Ichthys LNG to the Australian Government (\$1 billion per year) would place it as one of Australia's largest taxpayers;
- \$39 billion taxation revenue will come from company tax payments over the period; and
- 1,800 Full time equivalent (FTE) jobs will be created on average per year across Australia over 40 years¹.

Please see Appendix A, "INPEX – We're here for the Long Haul" for an introduction to our work, Appendix B, ACIL Allen's independent economic assessment and Appendix C for a summary of the assessment process for the Ichthys LNG Project.

From our experience developing the Project, the Australian, Northern Territory and Western Australian governments have all provided considerable support to enable the Ichthys LNG Project Final Investment Decision in January 2012. By that stage, key environmental and production approvals had been received from the relevant authorities.

In relation to regulator conduct, a later part of this submission will suggest statutory timelines are appropriate for bilateral agreements between the Australian Government and state/territory governments to provide greater certainty around decision making.

In addition, in October 2005 the then Prime Minister and the Treasurer announced the establishment of a Regulation Taskforce with terms of reference to identify actions to address areas of Australian Government regulation that are "unnecessarily burdensome, complex, redundant, or duplicate regulations in other jurisdictions."

In its January 2006 report, the Taskforce identified six principles of good regulatory process including the following "Effective guidance should be provided to relevant regulators and regulated parties in order to ensure that the policy intent of the regulation is clear, as well as the expected compliance requirements."²

INPEX agrees that regulators' processes should be clear, predictable, open and transparent but also that the advice provided by regulators should ensure that both the policy intent of the regulation and that the compliance requirements are clear.

The Commission has categorised the four stages with the regulatory approvals process as being: application, assessment, approval and monitoring of compliance. Ongoing assessment by the regulator of then proponent's compliance with the approval conditions over the life of the project can place ongoing reporting burdens on the

¹ ACIL Allen Consulting (2017), *An economic impact assessment: The Ichthys LNG Project*. See also Appendix B for a copy of this report

² *Report of the Taskforce on Reducing Regulatory Burdens on Business (2006)*, (<https://www.pc.gov.au/research/supporting/regulation-taskforce>)

proponent. It is important that requirements are clear from the time of approval so that appropriate actions can be undertaken to ensure continuing compliance.

Recommendation 1: That the Commission's assessment criteria for best practice regulation include ensuring that both the policy intent of the regulation and the compliance requirements are clear.

2. PROCESSES TO REDUCE COMPLEXITY AND DUPLICATION AND IMPROVE TRANSPARENCY FOR CURRENT AND FUTURE INVESTORS

Summary

Bilateral agreements between the Australian Government and state/territory governments to streamline assessments and approvals is successfully reducing duplication between jurisdictions.

A national approach to climate change policy delivers the best outcome for greenhouse gas emissions reduction at lowest cost while minimising adverse impacts on investment. Some states, however, are planning for state-based approaches to emissions reduction, thereby potentially creating uncertainties and inconsistencies across Australia and eroding investor confidence.

Bilateral Agreements

The EPBC Act condition-setting policy (Policy) sets out the Australian Government's approach to considering state/territory government approval conditions when approving a project under the Environment Protection and Biodiversity Conservation Act 1999 (the EPBC Act).

The Policy aims to streamline the regulatory process by avoiding duplicative or unnecessary approval conditions between jurisdictions when state and/or territory conditions appropriately manage the environmental impacts on a matter of national environmental significance.

The nine matters are: world heritage properties, national heritage places, wetlands of international importance (listed under the Ramsar Convention), listed threatened species and ecological communities, migratory species protected under international agreements, Commonwealth marine areas, the Great Barrier Reef Marine Park, nuclear actions (including uranium mines), and a water resource in relation to coal seam gas development and large coal mining development. Several of these are directly relevant to resources sector regulation.

When a project is subject to state or territory conditions related to a matter of National Environmental Significance the Policy provides guidance on how the Australian Government determines whether:

- a single condition to require compliance with state or territory conditions is attached to an approval under the EPBC Act;
- custom conditions are attached to an approval under the EPBC Act; or
- no conditions are attached to an approval under the EPBC Act.

While the Policy was introduced after the Ichthys LNG Project's approval (28 June 2011) and Final Investment Decision (13 January 2012), an Assessment Bilateral Agreement relating to environmental assessment between the Australian and Northern Territory Governments was already in place.

Case Study: Australian and Northern Territory Governments' Bilateral Agreement

On 31 May 2002, the Australian and Northern Territory Governments entered into an Assessment Bilateral Agreement relating to environmental impact assessment under the provisions of the EPBC Act. An amended bilateral agreement was entered into on 28 May 2007 and a further amended bilateral agreement was made on 11 December 2014.

The intention of the bilateral agreement was to support the delivery of a "one-stop-shop" for environmental approvals in the Northern Territory by accrediting the Northern Territory Government's environmental assessment and relevant approval systems to create a single process for nationally protected matters, reducing duplication and streamlining environmental approval processes.

For example, the environmental assessment report by the Northern Territory Department of Natural Resources, Environment, the Arts and Sport on the East Arm Wharf expansion project (a key element of the Ichthys LNG Project) was assessed under the Assessment Bilateral Agreement.

The report formed the basis of advice to the Northern Territory Environment Minister as to whether the project should proceed. Following the determination by the Minister to issue a development permit, the report also informed the consideration by the Australian Government Minister for Sustainability, Environment, Water Population and Communities.

The bilateral agreement process enabled the conduct of two approvals processes (NT Government and Australian Government assessments) to be undertaken simultaneously, however, approval by the Australian Government followed that of the Northern Territory.

To date, bilateral agreements have been a generally successful means to deliver on the following four objectives:

- to protect the environment;
- to promote the conservation and ecologically sustainable use of natural resources;
- to ensure an efficient, timely and effective process for environmental assessment and approval of actions; and
- to minimise duplication in the environmental assessment and approval process through Australian Government accreditation of the processes of the Northern Territory.³

The key advantage of bilateral agreements is that the often-overlapping state and Australian Government environmental assessment requirements are addressed jointly, thus avoiding duplication and streamlining the assessment process between jurisdictions.

To enable proper business planning, industry generally supports statutory timeframes on the determination of approvals for resources projects. While departmental officials generally advise it is inappropriate to constrain ministers with defined timelines for consideration of approvals, defined timelines assist businesses to plan and deliver projects.

Particularly in the tropical North, if commencement of construction is delayed until the start of the wet season, the whole project may be delayed by months until key

³ The text of the Australian and Northern Territory Governments Bilateral agreement made under section 45 of the Environment Protection and Biodiversity Conservation Act 1999 relating to environmental assessment can be found at <https://www.environment.gov.au/system/files/pages/4aaf2c7e-3043-4b50-b0f9-9d7647ae51ca/files/nt-bilateral-agreement-assessment-2014.pdf>

construction work can take place during the dry season. At other times, it has been impossible to predict with certainty how long an approval process will take, even for smaller projects or modifications of existing approvals.

Recommendation 2: That bilateral agreements for reducing duplication between jurisdictions be strengthened through the incorporation of relevant statutory deadlines to reduce scope for delays.

Emissions targets

INPEX strives to enhance our governance systems, business strategies, risk and opportunity assessments and management of emissions to proactively contribute to a low carbon society based on the long-term targets outlined in the Paris Agreement. INPEX will continuously enhance reporting in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures.

INPEX recognises that climate change is a critical business issue. To achieve the long-term goals of the Paris Agreement, an economy-wide transition to a low carbon society is underway. Global climate change response requires action by all members of the international community. Governmental policy measures, technology, development, industry response and other long-term initiatives are particularly pertinent. INPEX is committed to fulfilling the company's role in addressing climate change as a responsible member of the oil and natural gas industry.

INPEX complies with the national regulations of the host nations in which we operate. These regulations include those intended to support the international policy framework for greenhouse gas emissions reductions. INPEX businesses will work with governments and other stakeholders to address the two societal demands of meeting energy needs while simultaneously reducing greenhouse gas emissions and to achieve a balance between the two.

INPEX has completed an independent analysis of the challenge of meeting Australia's 2030 emissions reduction targets. We draw the following conclusions:

- Sufficient abatement opportunities exist (at less than around \$50/tonne carbon dioxide equivalent⁴) to enable Australia to meet the Australian Government's 2030 emissions reduction target of 26-28 per cent, provided that policies are implemented to ensure this abatement is delivered;
- Major new LNG projects such as the Ichthys LNG Project have very little abatement opportunity below around \$100/t carbon dioxide equivalent;
- Early policy action to address the potential gap to the 2030 emissions reduction target is warranted to enable the target to be achieved at least cost;
- Energy efficiency measures, such as vehicle efficiency standards and the National Energy Productivity Plan will be critical elements to minimise the burden of the emissions reduction target; and
- The land management and electricity generation sectors are potential sources of significant unrealised emissions abatement at a reasonable cost. However, these sectors require specific policy actions to access this abatement potential.

Across Australia, states and territories are taking different approaches to emissions reduction targets. The inconsistency of approaches and quantum of targets creates uncertainty and scope for duplication in regulatory processes.

⁴ A carbon price of A\$50/tonne carbon dioxide equivalent is equivalent to the International Energy Agency's "New Policies" scenario of US\$37/tonne carbon dioxide equivalent in 2030, as outlined in their 2016 World Energy Outlook.

Western Australia's independent Environment Protection Authority (EPA) announced guidelines in March 2019 with the intention to introduce a net zero emissions regime for project approvals. The original proposal would have required developers of new or expanded major projects to offset all direct emissions associated with the project. At the time, the LNG industry expressed significant concern with the policy measures. Amplifying industry consternation, was the fact that the revised policy measures were designed and announced without consultation. The Western Australian Premier quickly refused to endorse the policy and said the EPA's guidelines were not government policy. He publicly acknowledged that future investment in the state could be adversely impacted if the proposed changes were adopted.

In contrast, in order to achieve a target of zero net emissions by 2045, the Australian Capital Territory (ACT) Government has mapped out interim targets in five-year increments. The ACT is on track to achieve a 40 per cent reduction in emissions below 1990 levels by 2020 and on track to be powered by 100 per cent renewable electricity within the next 12 months.

The New South Wales (NSW) Government is working on an alternative to the National Energy Guarantee (NEG). The NEG policy was proposed by the Australian Government in late 2017 to deal with rising energy prices and a lack of clarity for energy companies to invest in energy infrastructure. It targeted energy companies in the National Electricity Market and large energy users to have a reliability obligation as well as emissions reduction obligations.

It is understood that the NSW Government is working on an alternative 2030 strategy that will involve the Australian Government assisting with a transition to lower emissions by underwriting generation, replacing the Liddell coal power station with firmed renewables and de-risking new investments in transmission.

To minimise the risk of uncertainty and inconsistencies across the states, INPEX's view is that a national -- as opposed to state-based -- approach to climate change policy delivers the best outcome for greenhouse gas emissions reduction at lowest cost while minimising adverse impacts on investment. The relative benefits of a national framework include reduced administrative complexity and costs, regulatory consistency between jurisdictions and flexibility in how companies can meet their emissions reduction obligations.

Recommendation 3: That a national approach, or in the absence of that, a harmonisation of state approaches to greenhouse gas emissions reduction be adopted.

Carbon Capture and Storage (CCS)

The Ichthys LNG facility has been designed as "CCS-ready", meaning that provisions have been made in the design to be able to retrofit the facility with CCS capability in the future. INPEX has conducted investigations into capturing reservoir carbon dioxide from the acid gas removal unit and reinjecting it into a suitable reservoir. Site selection and characterisation assessment found that suitable storage reservoirs may exist but at a significant distance from the LNG facility in Darwin.

To date, Ichthys LNG has spent over \$10 million evaluating CCS as an abatement option. While there may be no technical barriers to implementation, the cost of CCS is very high with a break-even carbon price of around \$100/t carbon dioxide equivalent or more. Therefore, implementation of CCS cannot be commercially justified at this stage.

While INPEX appreciates the Australian Government's support for low emissions technology and CCS, it is unlikely that current initiatives will make CCS more viable

for Ichthys unless supported by government through a government-funded hub concept and/or substantial tax incentives. INPEX would be happy to engage further with government on this matter.

Access to international credits

The use of credible, verified international credits (for example, generated under the Clean Development Mechanism) allows emissions offsets to occur at the lowest possible cost. INPEX recognises that access to international credits needs to happen in a framework that links it to Australia's emission reduction measures.

Accordingly, INPEX encourages the Australian Government to take early action to secure availability of international credits for Australian businesses in accordance with Article 6 of the Paris Climate Change Agreement. This includes internationally transferred mitigation outcomes (ITMOs) under Article 6.2, the new mechanism described in Article 6.4, and the detailed design of accounting and transfer rules for the operation of Article 6.

Additionally, INPEX would encourage the Australian Government to allow some emissions intensive trade exposed (EITE) industries - especially those, such as the LNG industry, that are already contributing to the reduction of emissions on a global scale - priority access to verified international credits such as CERs (Certified Emissions Reduction units) to offset emissions above a Safeguard Mechanism baseline. This would assist the Australian LNG industry in its attempts to remain competitive against overseas LNG projects that face no carbon costs.

3. ENVIRONMENTAL MANAGEMENT AND COMPLIANCE ARRANGEMENTS THAT HAVE RESULTED IN THE REMOVAL OF UNECESSARY COSTS

Summary

The driver for resources regulation should be to deliver superior environmental outcomes while maintaining the competitiveness of the Australian LNG industry. Policies developed from an Australian domestic perspective - and in isolation from international markets - can make it harder for Australia to compete.

Unintended consequences of such an approach can mean the Australian economy loses the benefits from significant resources projects if approval and compliance costs are not controlled and regulatory processes become inefficient.

NOPSEMA has taken on the role of a one-stop-shop for offshore approvals and their work on the reference case project is a good case study on an initiative expected to reduce Environment Plan-related costs.

Changes to Australia's migration zone and quarantine zone are examples where reforms increased compliance costs and unintended consequences on maritime visas and biosecurity arrangements for supply vessels and their staff.

NOPSEMA - The National Offshore Petroleum Safety and Environmental Management Authority

NOPSEMA regulates health and safety, environmental management, structural and well integrity for offshore petroleum facilities and activities in Commonwealth waters.

NOPSEMA is an independent statutory authority established under the Offshore Petroleum Greenhouse Gas Storage Act 2006. NOPSEMA's principal functions are:

- to promote the occupational health and safety of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations;

- to develop and implement effective monitoring and enforcement strategies to ensure compliance under the Act and Regulations;
- to investigate accidents, occurrences and circumstances relating to health and safety, structural integrity and environmental management;
- to advise on matters relating to health and safety, structural integrity and environmental management;
- to make reports, including recommendations, to the responsible Australian Government Minister and each responsible state and Northern Territory Minister; and
- to cooperate with other Australian Government and state or Northern Territory agencies or authorities having functions relating to regulated operations.

From February 2014, NOPSEMA became the sole designated assessor of petroleum and greenhouse gas activities in Commonwealth waters. Previously, petroleum activities in Commonwealth waters fell under two pieces of legislation, the Environment Protection and Biodiversity Conservation Act 1999 and the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

NOPSEMA regulates all offshore areas in Commonwealth waters, which comprise those areas beyond the first 3 nautical miles of the territorial sea. This includes offshore areas adjacent to all states and the Northern Territory.⁵

Australia's Chief Scientist, Dr Alan Finkel recently conducted an independent audit of NOPSEMA's consideration of exploration in the Great Australian Bight. The audit was released in September 2019 and found NOPSEMA:

- to be a highly skilled, professional and competent regulator;
- to have appropriate processes, procedures and guidance material in place to meet its regulatory requirements; and
- to have appropriate processes and practices to ensure environment plans are assessed against relevant and complete scientific and technical information⁶.

The previously unnecessary duplication of legislation and an elongated environmental approval process for petroleum activities in Commonwealth waters was removed through bestowing relevant powers on NOPSEMA. INPEX believes that the move to a single offshore regulator (NOPSEMA) is an example of a reform that streamlines environmental approvals and assists in removing duplication both across and within jurisdictions.

⁵ Further information about NOPSEMA is at <https://www.nopsema.gov.au/about/>

⁶Dr Alan Finkel AO, Chief Scientist (August 2019), *Independent audit of NOPSEMA's consideration of exploration in the Great Australian Bight* ()

Case study: work being undertaken by NOPSEMA to streamline Environment Plans and reduce unnecessary costs

Environment Plans (EPs) for Ichthys LNG were required to be assessed by the Northern Territory and Australian Governments. Inconsistency between requirements and no capacity to remove unnecessary duplication creates costly and time-consuming compliance requirements.

NOPSEMA has started the reference case project to establish a publicly available knowledge base about how the environmental impacts and risks of offshore petroleum activities are managed. This work is especially relevant to INPEX and others who regularly develop EPs since industry will be able to choose the degree to which it will apply the reference case in the context of their activity.

Any differences to the environmental management approach described in a reference case must then be explained to stakeholders and, through their EP submission, to NOPSEMA.

For stakeholders, the reference cases provide an indication of good practices across industry. To reduce the burden of consultation, this information is available before the commencement of a consultation process. Importantly, knowledge of good environmental management practices is expected to improve stakeholders' confidence.

Completed reference cases can be used voluntarily in EPs. Each reference case also has a detailed scoping section to inform readers about where and when the reference can, and cannot, be used. Three reference cases are currently available for use, including on sewage, grey water and putrescible waste discharges; anchoring of vessels and floating facilities; and consequence analysis of an accidental release of diesel.

The intent of using reference cases is to reduce the size and complexity of EPs. Capturing common environment plan content and typical environmental management practices, reference cases will reduce the size and complexity of environment plans resulting in a faster development process, more time to focus on key issues, reduced consultation burden on industry and stakeholders, reduced assessment timeframes and better regulatory decisions.⁷

Recommendation 4: That initiatives such as NOPSEMA's reference case project be undertaken in other areas of regulation to standardise requirements and streamline compliance.

Transparency on the National Gas Bulletin Board (National Gas Reporting)

The gas export controls recently introduced through the Australian Domestic Gas Security Mechanism (ADGSM) have the potential to deter future investment, as it creates a risk that companies will not be free to develop and sell the developed resources to the market that best suits their individual project. INPEX also believes such export controls detract from Australia's international reputation as a reliable supplier of LNG because the restrictions change the underlying commerciality and freedom granted with the petroleum permit.

However, INPEX appreciates the Australian Government's need to address the issues facing the East Coast gas market and has made a commitment to the Australian Government for future investments to contribute to the supply deficit where commercially viable to do so.

⁷ Further information on reference cases is at: <https://referencecases.nopsema.gov.au/about-the-project/>

In contrast to other projects, Ichthys LNG was established to produce gas solely for export. All gas from Ichthys LNG is exported. INPEX sources feed gas for LNG production exclusively from an offshore reservoir and no gas is sourced from the domestic market. The Ichthys facilities and the domestic Northern Territory gas market are connected via a Power and Water Corporation (PWC) pipeline. This pipeline was installed to provide PWC gas to the Ichthys facility for the commissioning of equipment and to enable Ichthys LNG to supply emergency gas to the NT market. From 2020 onwards, Ichthys LNG will no longer receive any gas from PWC and emergency gas supply to the NT will be a contingency only which requires special operating conditions.

The National Gas Rules govern access to natural gas services pipelines and aspects of the gas market. Recently proposed changes will:

- negatively affect Ichthys LNG/INPEX's commercial operations in the LNG export market; and
- impose significant ongoing reporting requirements with high compliance cost to be absorbed by the business.

Accordingly, INPEX is seeking from the Department of the Environment and Energy an exemption from Part 18 of the National Gas Rules and reporting to the National Gas Bulletin Board for Ichthys LNG as an LNG exporter.

Maritime visas

There has been uncertainty over the status of foreign workers employed in the Australian offshore resources support sector over many years. Concern centred on whether workers employed on vessels in Australian waters require an appropriate Australia visa. There have been numerous legislative and regulatory changes made over the past decade however further amendment is required to provide certainty for industry.

The Migration Act 1958 defines when visas are required however in April 2012 progress on a multi-billion-dollar offshore resource project was stopped when it was reported that workers on the project only had tourist or business visas. Allseas Construction sued the Australian Government and won, allowing work to resume.

In this case, two pipe-laying vessels were engaged in work offshore in two gas fields off the Western Australian coast. The employees on the vessels were mostly non-citizens. The Federal Court found that the vessels were not resources installations so the non-citizens on the vessels were not in the Australian migration zone. Accordingly, they did not require permission to work on the vessels under Australian immigration law as they had not entered Australia.

In response to the Allseas case, the Migration Amendment (Offshore Resources Activity) Bill 2013 was passed by the Australian Parliament in June 2013 to provide that foreign workers who participate in, or support, offshore resources activities are taken to be in the migration zone and are required to hold a visa.

In August 2018, the government made the Migration Amendment (Offshore Resources Activity) Regulations 2018. The Regulations amended the Migrations Regulations 1994 to allow a Subclass 988 (Maritime Crew) visa holder to enter an area to participate in, or support, an offshore resources activity if the person is a petroleum export tanker crew member. The Regulations were aimed at reducing costs for businesses operating in Australia's offshore resources sector by allowing certain Maritime Crew visa-holders working on petroleum export tankers to work in offshore resources activity in Australia's migration zone.

INPEX estimates that addressing the uncertainty around maritime visas with the support from the Federal Government will reduce red tape and save \$22 million over 10 years in unnecessary costs.

However, while the changes address short-term issues, it is now clear that there are complications involving normal maritime operations for vessels that visit offshore installations.

For example, where a vessel is contracted to visit ports in Australia before or after visiting an offshore facility, the Maritime Crew Visa is not applicable. In addition, vessels that visit onshore facilities or conduct other maritime activities can undertake their business using Maritime Crew Visas.

In the short term, the Department of Home Affairs is fast tracking the processing of Temporary Work (Short Stay Specialist) Visas for vessel crews however a longer-term solution is required to provide certainty and reduce unnecessary costs.

Recommendation 5: That further amendment to the Migration Amendment (Offshore Resources Activity) Regulations 2018 be made to remove the requirement for offtake vessels visiting offshore resource installations to arrive directly from and return directly to an international port.

Biosecurity

The Biosecurity Bill 2014 amended the boundaries of Australia's quarantine zone by making all aircraft and vessels entering Australian territory subject to biosecurity controls.

Prior to 2014, Australia's quarantine zone encompassed Australia's Exclusive Economic Zone, which is 200 nautical miles from the Australian coast. The Bill moved the quarantine boundary from 200 nautical miles to 12 nautical miles.

The substantial change in Australia's quarantine zone resulting from the Biosecurity Bill 2014 shifted the regulatory focus from sea-based installations to vessels travelling from installations to Australia's coastal sea.

While offshore installations beyond the 12 nautical mile limit are not subject to Australian biosecurity control, the jurisdictional change transfers the regulatory burden so that ships travelling between Australia and an installation outside 12 nautical miles would be subject to additional requirements.

For the resources industry, this means vessels supplying offshore installations are treated as if they are undertaking international journeys and each time a vessel returns to port it is required to undertake additional quarantine inspections. The imposition of biosecurity regulations on previously unregulated activities presented operational difficulties that would substantially increase business costs – estimated by the Australian Petroleum Production and Exploration Association to be more than \$10 million per year.

The Department of Agriculture and Water Resources accepted that there are many interactions conveyances (vessels) have with installations outside Australian territory that do not present an unacceptable biosecurity risk.

The Biosecurity (Exposed Conveyance – Exceptions from Biosecurity Control) Determination 2016 was issued and ensures that when these exposures do not pose an unacceptable biosecurity risk the exposed conveyance should not become subject to biosecurity control on return to Australian territory, or be required to submit a pre-arrival report or notify its intent to unload goods.

The Determination allows operators to either:

- satisfy the Director of Biosecurity that the level of biosecurity risk associated with the installation is acceptable (i.e. be classified as a low-risk installation); or
- enter into an Approved Arrangement with the department to manage the biosecurity risk to an acceptable level.

While significantly less burdensome than regular quarantine inspections, when a supply vessel returns to port, there is still significant departmental inspection, documentary assessment and assurance as part of an assessment by the Director of Biosecurity for an operator to demonstrate that the biosecurity risk of their installation is acceptable and therefore low risk.

While changes to biosecurity law affected resources industry operations, the Determination set out a way for lower risk activities to be exempted. It is an example where better regulatory design along with clearer policy intentions would likely have avoided the unintended consequences affecting resources industry operations.

4. BEST PRACTICE EXAMPLES OF GOVERNMENT INVOLVEMENT IN THE RESOURCES APPROVALS PROCESS TO EXPEDITE PROJECT APPROVALS

Summary

Support from the Northern Territory Government in attracting the Ichthys Project to the Northern Territory was crucial. Whole-of-government support from the Northern Territory Government continued through granting Major Project status and ongoing case management ensured the project was assessed to a high standard in a cooperative manner and the project proceeded.

Northern Territory Major Project Status

Since 2001, the Northern Territory Government has adopted a case management approach for projects that have been awarded Major Project Status. The Government awards Major Project Status to private sector-initiated projects that are significant, complex and have strategic impact on the Northern Territory.

The objectives of Northern Territory's Major Project Status Policy Framework are to:

- attract and promote secure private sector investment to broaden and deepen the Northern Territory economy; and to
- assist the timely and effective delivery of Major Projects through efficient and consistent government processes.

The main benefits of attaining Major Project status include:

- an acknowledgement by the Northern Territory Government of the significance of the project to the Northern Territory;
- identification and mapping of project related government approvals;
- whole of government coordination and facilitation of the project and project related government approvals;
- opportunity to use Northern Territory Government investment attraction activities, which include overseas trade missions, to access markets and potential sources of finance; and
- a dedicated project case manager appointed as the single point contact until project delivery.

All legislative and other legal requirements must still be met. Major Project Status does not exempt a proponent from needing to comply with all regulatory requirements and

approvals necessary to deliver the project or avoid any regulatory approvals processes.⁸

Support from the Northern Territory Government, in addition to Major Project status, was crucial to ensuring the timely assessment of the Ichthys LNG Project. The Northern Territory Government's Major Projects Team also assisted with oversight of applications for licences and other regulatory requirements following approval by the Northern Territory and Australian Governments.

Case Study: early Northern Territory Government support for Ichthys Project

The whole-of-government approach by the Northern Territory Government is a good case study in how government support can expedite assessment while ensuring all regulatory requirements are met.

Initially, INPEX's preferred option for an onshore LNG processing plant was on the Maret Islands in the Kimberley, closer to the Ichthys Field. However, the proposal met with resistance from stakeholders and the Western Australian Government at the time and the government ultimately preferred a single processing hub to be located in the Kimberley region for all the proposed LNG projects off the coast.

The Northern Territory Government was not only supportive of the Ichthys LNG Project onshore facilities coming to the Northern Territory, it actively lobbied for it.

Following an approach by the NT Government, INPEX commissioned environmental, economic and engineering studies to examine all aspects of locating LNG facilities on Middle Arm, in Darwin. The NT Government demonstrated that Darwin offered an alternative site that could be developed within a reliable time frame. In February 2008 with partner Total, INPEX signed a Project Facilitation Agreement (PFA) with the NT Government.

In September 2008 INPEX announced that Bladin Point on Middle Arm Peninsula in Darwin had been selected as the location for the proposed onshore LNG processing facility.

Recommendation 6: That the Northern Territory Government's streamlined approval process and case management by the Major Projects Team to coordinate and fast track assessments be adopted by other jurisdictions.

5. EXAMPLES OF EFFECTIVE COMMUNITY ENGAGEMENT AND BENEFIT-SHARING PRACTICES

Summary

INPEX is committed to contributing to the sustainable development of the communities in which we operate and improving social and economic well-being while minimising our impact. INPEX has been innovative in our approaches to engaging with communities and sharing the benefits from the Ichthys Project. Specific examples of our innovative approach include the Larrakia Ichthys LNG Foundation Trust and the Ichthys LNG Project's Australian Industry Participation Plan.

⁸ Further information is at <https://business.nt.gov.au/publications/policies/major-project-status-policy-framework>

Community engagement

INPEX is committed to keeping local people informed about Ichthys LNG activities.

A wide range of avenues is used to stay in contact with local people. In 2018 alone INPEX managed about 1,550 enquiries through community feedback lines, advertising, industry forums and information stands.

Community engagement is a two-way process and INPEX is grateful for the feedback the community has provided which enhances decision-making processes on issues that may affect local people's wellbeing and/or interests. The results of these consultations indicated that Territorians were most interested in job and business opportunities, so in response INPEX offered:

- Training programs and investment in Charles Darwin University's Northern Australian Centre for Oil and Gas;
- University graduate placements across Australia;
- Industry and career forums;
- Information forums for outgoing construction workforce
- Employment database;
- Collaboration with Industry Capability Network NT and Chamber of Commerce NT;
- Community feedback mechanisms; and
- Regular advertising – community bulletins, print and radio advertisements Government, industry, business and sponsorship with stakeholders.

Since 2012, INPEX and INPEX-operated Ichthys LNG have funded more than \$4.5 million in community programs in Australia plus more than \$9 million to develop training and education institutions in the Northern Territory.

Approximately 70 per cent of community sponsorship and investment funding has supported initiatives taking place in Darwin and across the Northern Territory. Community programs have also been sponsored in Perth and the Kimberley region in Western Australia.

In 2019 to date, INPEX and Ichthys LNG have committed more than \$500,000 to support almost 50 programs.

Please see Appendix E for details of sponsored activities.

Benefit-sharing

From the outset of the Ichthys LNG Project, INPEX engaged respectfully with the Larrakia people as the Traditional Owners of the land and waters in and around Darwin.

In delivering the Stretch Reconciliation Plan 2019-2021, INPEX is committed to building on a solid foundation of engagement with the Aboriginal and Torres Strait Islander communities where we operate and reflects an ongoing commitment towards reconciliation.

To date, through the Ichthys LNG Project, 1,471 Aboriginal and Torres Strait Islander peoples have been employed, including more than 200 trainees, and 62 Aboriginal owned businesses have been contracted to work with the project – amounting to \$175 million in value.

In November 2018 INPEX signed an agreement with the Larrakia people valued at \$24 million to establish the Larrakia Ichthys LNG Foundation Trust. The Trust is the first time an agreement of its kind between an Aboriginal traditional owner group and a business entity was formed without being required under native title legislation. The Trust will provide further benefits to the local Larrakia community over the next 40 years and beyond.

The INPEX Larrakia Advisory Committee, which includes representation from the Larrakia Development Corporation and Larrakia Nation Aboriginal Corporation and Larrakia community members who have a range of vast skills and knowledge, oversees the distribution of trust funds. Initially, the focus will be on education initiatives and support to the elderly and people with disabilities. Other key focus areas will include employment and business advancement opportunities.

Please see Appendix D Larrakia Ichthys LNG Foundation Trust, for further information.

Local content

INPEX is committed to local industry through an Australian Industry Participation Policy through which opportunities are provided for industry to contribute to INPEX activities and maximise Australian industry participation where competitively possible, based on health, safety and environment, schedule, quality and cost.

We actively seek suppliers and contractors whose objectives are compatible with ours—those with a commitment to delivering the highest-quality products, services and worldwide cost competitiveness in the marketplace and an unwavering commitment to safety.

During the construction phase of the Ichthys LNG Project (2012 to 2018), more than 49 per cent Australian content was achieved, which comprised of contracts, procurement and project owner costs.

In the Northern Territory (NT), more than 1,150 local businesses have secured work through 6,000 contracts and purchase orders to date. Further, more than \$175 million in contracts and purchase orders have been awarded to 62 Aboriginal and Torres Strait Islander business.

The Ichthys Project created thousands of employment opportunities for locals in the NT, and approximately \$12.5 billion has flowed through the NT economy as a result of Project activity to date.

The total Western Australian (WA) cumulative commitment value for Ichthys Project construction from 2012 to 2018 was nearly \$9 billion.

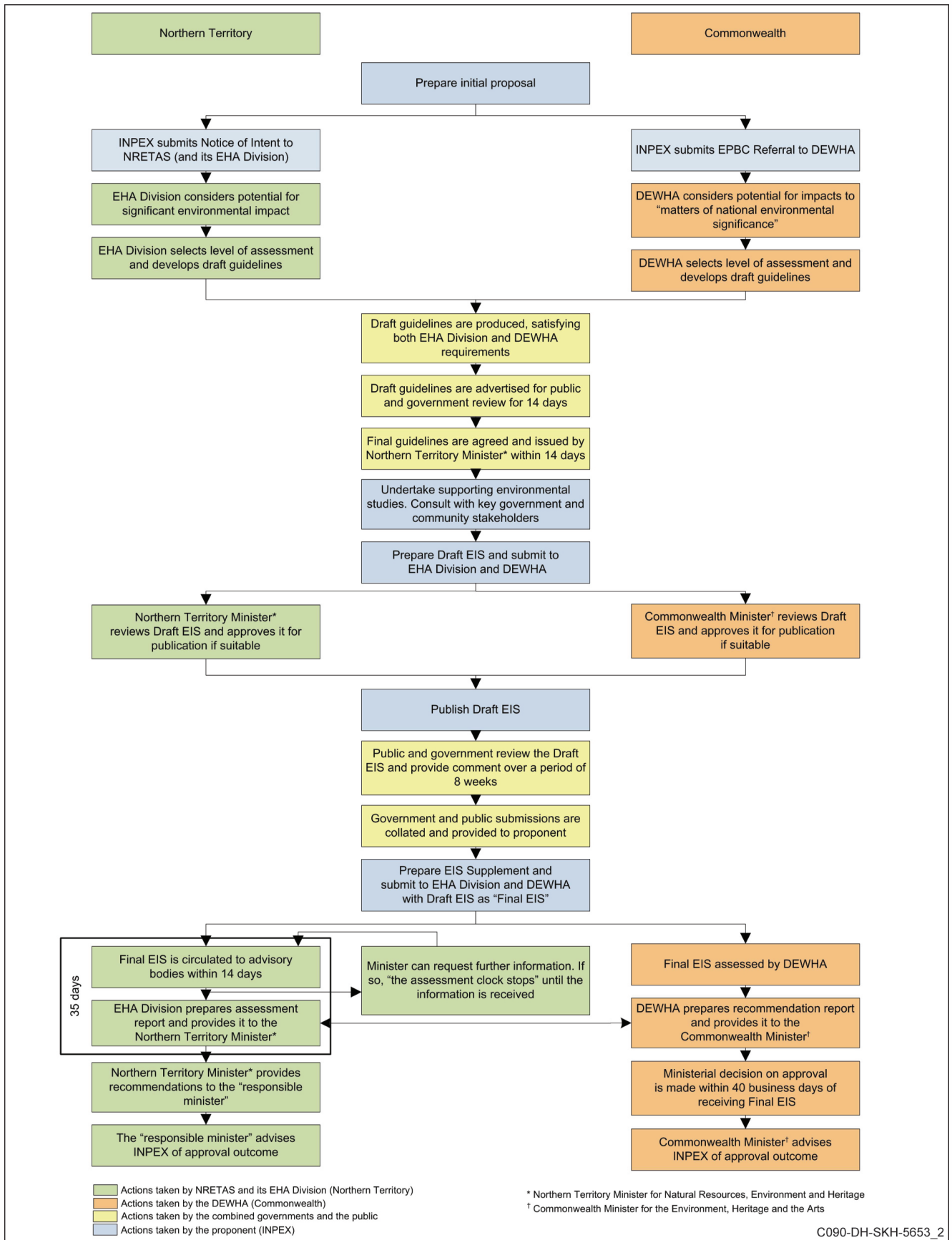
Appendix A “INPEX – We’re here for the Long Haul”

Please refer to the document Appendix A INPEX “We’re here for the Long Haul”

Appendix B ACIL Allen's independent economic assessment

Please refer to document Appendix B ACIL Allen Economic Assessment Report

Appendix C Environmental assessment process for the Ichthys Project



Appendix D Larrakia Ichthys LNG Foundation Trust

Please see Appendix D Larrakia Ichthys LNG Foundation Trust

Appendix E Sponsored activities

	INPEX-funded	Ichthys LNG-funded
Education and training	<ul style="list-style-type: none"> Australian Science Teachers Association CONASTA 68 Conference, Darwin NT Skills, Employment and Careers Expo UWA INPEX Aboriginal scholarships UWA Society of Petroleum of Engineers UWA Young Engineers WA Seafood Industry Awards WA Youth Orchestras Women in Resources NT Awards 	<ul style="list-style-type: none"> Arnhem Northern and Kimberley Artists 'Art Worker Extension Program' Broome Girls Academy Broome North Primary School 'ipads for pre-primary students' Darwin Science and Engineering Challenge Engineers Australia Northern 'sYSTEMic Collaboration' Engineers Australia Northern 'Ultimate Drone Challenge' Kids Can 'Youth Entrepreneurship Holiday Program' Michael Long Learning and Leadership Centre (AFL NT) NT Training Awards Palmerston Girls Academy Petroleum Club of WA Young Professionals
Health and wellbeing	<ul style="list-style-type: none"> Earbus Foundation of WA 'Perth Metro Clinic' 	<ul style="list-style-type: none"> Australian Red Cross SHAK Youth Centre, Darwin Broome North Fishing Club 'Gone Fishing Day' Broome Senior High School 'Share It' nutrition program Broome Tennis Club 'Friday Twilight Junior Competition' Darwin Basketball Association 'Jilawarra Hawks Grassroots Top End Tour' Darwin Men's Shed Djarindin Community Early Learning Centre
Local business	<ul style="list-style-type: none"> 5th Aboriginal Economic Development Forum NT Energy Club NT NT Indigenous Business Network 	<ul style="list-style-type: none"> Broome Small Business Awards NT Export and Industry Awards
Community	<ul style="list-style-type: none"> A Taste of Broome Darwin Festival Darwin Symphony Orchestra 'O Fortuna! Concert' Darwin to Arnhem Spice Islands Yacht Race 2020 NAIDOC Perth Awards and Ball NT Thunder/NT Football League (AFL NT) NT Volunteer of the Year Awards Perth Japan Festival 2020 	<ul style="list-style-type: none"> Australian Volunteer Coast Guard Darwin Roßa City of Palmerston 'Halloween at Goyder' Darwin and Palmerston NAIDOC Week activities Darwin Harbour Clean Up Freds Pass Rural Community Show 2020 HPA Incorporated 'Product for Purpose' Kuilarrri NAIDOC Festival, Broome Shinju Matsuri Shire of Broome 'Chinatown Christmas Trails'