



The Hon Keith Pitt MP

Minister for Resources, Water and Northern Australia



Northern Endeavour to be decommissioned

14 December 2020

The Australian Government is moving to decommission the Northern Endeavour floating production storage and offtake facility and associated oil fields to remove potential risks to the environment.

Resources, Water and Northern Australia Minister Keith Pitt said the Government had thoroughly investigated options for the Northern Endeavour and found a decommissioning and remediation process is the most cost-effective way to remove future potential risks to the facility and to ensure protection of the environment.

The Government has been responsible for maintaining the Northern Endeavour and associated subsea facilities since February 2020 after its owners, the Northern Oil and Gas Australia (NOGA) group of companies, were placed in liquidation. The Northern Endeavour stopped producing oil in 2019.

“The Northern Endeavour is permanently moored in Commonwealth waters in the Timor Sea, between the Laminaria and Corallina oil fields,” Minister Pitt said.

“We have been ensuring the safety of the facility and conducting critical maintenance work since taking responsibility for the facility and will now start the process of decommissioning and remediating the fields.

“The decision sends a strong signal to the world that Australia will maintain its global reputation as a safe, reliable and responsible country for offshore oil and gas development.”

Mr Pitt said the cost of decommissioning remained unclear but taxpayers should not be left to bear the costs.

“We have been working closely with the offshore oil and gas industry on proposals to recover the costs,” Minister Pitt said.

"I thank the industry for its willingness to engage and cooperate on the decommissioning issue, and to ensure Australia maintains its global leadership on support and regulation of this crucial sector," Minister Pitt said.

"The Government has been actively working with key stakeholders in the offshore oil and gas industry to seek advice on reforms to make sure the circumstances surrounding the Northern Endeavour do not happen again.

"These reforms will take account of the recommendations and findings of the independent review into the administration and liquidation of the NOGA group by offshore regulation expert Steve Walker."

DECOMMISSIONING REVIEW

The Australian Government has also opened consultations on a revised policy framework for the offshore oil and gas industries to ensure project developers and operators can safely decommission offshore projects when they come to an end.

The consultation on the framework is part of the government's Offshore Oil and Gas Decommissioning Review into the responsibilities of developers and operators.

Minister Pitt said the enhanced framework has been developed in consultation with Government, industry and other stakeholders, and takes account of the Walker Review into the administration of the NOGA group of companies.

"The draft framework has been designed to ensure Australia's offshore oil and gas industries continue to remain safe for their workers, the environment and for the benefit of all Australians," Minister Pitt said.

"We want to ensure we have the best oversight framework and that the offshore oil and gas industry manages current and future decommissioning challenges."

Minister Pitt said Australia's maturing offshore industry is expected to see an increasing number of projects and assets reach an end of their productive lives and move into a decommissioning phase over the next two decades.

Key elements of the enhanced framework to better protect the Australian taxpayer include:

- increased government scrutiny of title transfers;
- greater assurances that companies can meet their obligations; and
- the ability for government to recall a previous owner to decommissioning if required.

The proposed enhanced framework is available on the [Department's consultation hub](#), along with details on how to make a submission.

Consultations are open until Friday 22 January 2021.

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Oil & gas to get Northern Endeavour bill and trailing liabilities: Pitt

Peter Milne, Boiling Cold, 4 Dec 2020

Oil and gas companies that sell ageing offshore facilities will retain liability for clean up costs under planned changes to legislation, according to Federal Resources Keith Pitt.

Pitt also told the ABC's *Background Briefing* that the industry will foot some of the bill to decommission the shuttered Northern Endeavour oil vessel that is now the Government's responsibility after its owner was liquidated earlier this year.

[Buyer Wanted - Mothballed Oil Rig](#)

<https://www.abc.net.au/radionational/programs/backgroundbriefing/buyer-wanted-mothballed-oil-rig/12947632>

Before the Northern Endeavour failed, the Government was reviewing its regulation of the decommissioning of offshore oil and gas facilities.

The [offshore and onshore cleanup bill](#) to 2050 has been estimated at \$76 billion by oil and gas consultancy Wood Mackenzie.

Pitt, speaking on the *Background Briefing* podcast released this morning, said the Government would release the review before the end of the year.

"There will be legislation that's required which I expect to put up following... all the normal processes that we would go through if we were looking to make changes around trailing liability and of course the role of the regulator," Pitt said.

A report into the Northern Endeavour by experienced UK North Sea regulator Steve Walker recommended trailing liabilities as current Australian regulations did not anticipate operators going into liquidation.

"The adoption of 'trailing liability' whereby a titleholder would be continually liable for the decommissioning and removal of its offshore assets even after selling its interests in a title, was receiving growing acceptance," Walker wrote.

"This is a serious concern, as such events could be repeated as Australia's offshore industry matures and late-life assets are likely to be passed from established majors."

Trailing liabilities are likely to put a brake on established producers' plans to sell late-life assets to smaller companies.

Boiling Cold understands the Federal Government's stricter approach to decommissioning was a factor in ExxonMobil announcing a week ago that it had [canned efforts to sell its halfshare](#) of the vast but ageing Bass Strait oil and gas operation.

Pitt said the failure of the Northern Endeavour was an unprecedented situation.

"We've taken the right and appropriate action and now we'll ensure that it can't reoccur anytime in the future," Pitt said.

The owner of the Northern Endeavour, Northern Oil and Gas Australia, was a small inexperienced company owned by just one person: Angus Karoll.

The Northern Endeavour's initial operator Woodside paid Karoll in 2016 to take the Northern Endeavour. Woodside's alternative was to close the facility and decommission the wells, subsea structures and vessel at a cost it estimated to be about \$360 million.

Current legislation did not require the financial strength of the new owner NOGA to be checked before it took over the facility.

"There are some challenges around the legislation that's allowed this position to become a reality," Pitt said.

"I'm addressing that as the Minister so the taxpayer won't be left on the hook for the full cost of what's necessary to decommission that facility,

"I've told the industry that very clearly.

"We're looking at options now in terms of cost recovery and how that will be done.

"I've been very upfront with industry that they'll be expected to contribute."

Pitt did not say if the industry generally or Woodside specifically would bear the cost.

If Woodside's 2016 deal to move decommissioning liability elsewhere results in stringent restrictions on the sale of assets and an industry levy to pay for the Northern Endeavour clean up, it will not be a popular company amongst its peers.