

## Petroleum Bill South Australia - Update

A draft bill for a new Petroleum Act was released for public comment in late December, 1998. The preparation of the draft bill follows the consideration of responses to an Issues Paper on the Petroleum Act released in 1996 followed by a Greenpaper in 1997.

The main objective of the draft bill is to develop a modern, pro-competitive, efficient and flexible basis for administration of the onshore, upstream, petroleum industry. The legislation will establish an attractive business environment for responsible petroleum exploration and development in South Australia.

Some of the main features are:

- establishment of a co-regulatory regime focussing on achievement of environmental, public safety and resource management objectives and reduced compliance costs;
- licence allocation and management mechanisms to facilitate competition in line with national competition policy principles;
- rights of third party access to licensed pipelines (where not covered by the national access regime), to depleted reservoirs (for gas storage purposes); and to pipeline easements;
- greater security of tenure for licences through improved registration procedures;
- public consultation processes with regard to establishment of environmental objectives and for significant proposed activities;
- reduced risk to government for liabilities arising from the industry's activities;
- increased royalties from 2001 and a fee structure designed to encourage the

adoption by industry of management systems to undertake their activities.

Native title issues are being separately addressed in the Statutes Amendment (Native Title No. 2) Bill 1998 recently tabled in parliament which incorporates amendments to the Petroleum Act 1940. These amendments will provide for a new state 'right to negotiate' scheme for the upstream petroleum industry. The Petroleum Bill 1998 will be amended to incorporate these native title provisions at the appropriate time. The minister will be given the power to extend or suspend a licence during the native title right to negotiate process.

Comments on the draft bill were sought until 26th February, 1999. In total, 38 submissions were received. The major issues that appear to be still of concern are linkage of geothermal energy rights with petroleum licences, the proposed increase in royalty to 12.5%, and the minimum royalty provisions. As a result of these submissions some changes are proposed.

In both the Issues Paper and the Greenpaper on the proposed changes to the Petroleum Bill, it was suggested that geothermal exploration rights would be included within PEL and PPL rights. The reasoning behind this proposal was that exploration for geothermal energy would most likely occur in areas also subject to petroleum exploration, and at depths coincident with petroleum reservoirs. It was also felt that development of geothermal energy was unlikely to be economic in the short term on a stand alone basis in such remote areas as the Cooper Basin, and that the most likely area (the Nappamerri Trough region) would be made available for the award of exploration licences after expiry of PELs 5 & 6 in February, 1999. Thus to maximise the economics of both petroleum and geothermal energy exploration, it was felt that the PEL should contain rights to all regulated resources.

Most submissions, particularly from petroleum companies, were supportive of this proposal. However, some submissions made for the Greenpaper, and six submissions received for the proposed draft Petroleum Bill, opposed this concept. These submissions preferred a separation of geothermal energy rights from petroleum, mainly on the basis that the most likely area for geothermal energy development in South Australia was the Nappamerri Trough area of the Cooper Basin, which is now held under long term Production Licences. Separation of the rights would also allow geothermal energy to compete with gas for electricity generation. As the licence situation in the Nappamerri Trough has subsequently changed from the time when the Issues and Green Papers were drafted, it is proposed to modify the draft Petroleum Bill to allow the issue of separate licences for geothermal energy. A separate discussion paper on these issues with proposed modifications to the bill will be distributed shortly to interested parties for further comment.

The submissions on royalty are still being considered and may result in some changes.

The final draft bill will be prepared and made available via the PIRSA website by the end of April, 1999. At the same time, it is proposed to distribute draft regulations for public comment. It is anticipated that the draft bill and regulations will be tabled in parliament in the budget sitting (May to August, 1999).

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Check the PIRSA website for the final draft bill: [www.mines.sa.gov.au/petrol](http://www.mines.sa.gov.au/petrol)