



Consultation Paper: Mandatory Reporting of Petroleum Statistics

September 2016

australian petroleum production & exploration association limited

Submission | October 2016

the voice of Australia's oil and gas industry

Contents

Introduction.....	3
Australian Petroleum Statistics.....	3
Applications of the APS Report	3
Mandatory Reporting	3
Growth in non-reporting	3
Alternatives to Mandatory Reporting	4
Data-Sharing	4
Design of Mandatory Reporting	4
Design principles	4
Potential Options	5
Who Should Report?	5
Reporting Threshold.....	5
Production	5
Stocks.....	6
Imports and Exports	6
What Categories of Products Should be Reported?	6
Gas Products	6
Box 10: Some Case Studies on Reporting	6
Reporting Template	6
Next Steps.....	7

Introduction

Since 1959, the Australian Petroleum Production & Exploration Association (APPEA) has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has around 60 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 160 associate member companies that provide a wide range of goods and services to the industry. Further information about APPEA can be found on our website, at www.appea.com.au.

APPEA welcomes the opportunity to provide comment on the Australian Government consultation paper *Mandatory Reporting of Petroleum Statistics* (the consultation paper). APPEA was also involved in 2013 in consultation on the *Mandatory Petroleum Data Reporting Discussion Paper*.

In addition to the APPEA submission, a number of APPEA members have made individual submissions to the consultation paper. This response should be read in conjunction with submissions from individual APPEA members.

APPEA's submission addresses specific aspects of the consultation paper, focussing on those areas that are particularly important for the upstream oil and gas industry.

In addition, APPEA's submission considers petroleum data and issues relevant to the upstream petroleum industry and we expect that the Australian Institute of Petroleum (AIP) will make a submission addressing issues related to downstream matters. Taken together, these two submissions should canvass the full suite of issues related to upstream and downstream petroleum data.

Australian Petroleum Statistics

Applications of the APS Report

The consultation paper notes on page 6 that "... *the majority of petroleum companies active in Australia support the APS Report and report their data voluntarily.*" It is vital that this goodwill and support be maintained through the consultation process and the development and implementation of a mandatory reporting regime.

Mandatory Reporting

APPEA notes the Government's intention, set out on page 7 of the consultation paper, to implement a mandatory reporting regime for petroleum statistics from 1 January 2018. APPEA encourages the Government to use the time between now and 1 January 2018 to ensure efficient and effective, low cost administrative systems are developed or enhanced to support mandatory reporting, education and other outreach activities are a key focus, the Department ensures that it has appropriately skilled resources available to support the new regime and that the Department continues to explore, and implement, data sharing opportunities.

Growth in non-reporting

The consultation paper on page 8 notes the Department has identified at least 15 petroleum companies that do not report. However, the paper does not outline which parts of the supply chain are most affected by non-reporting, the estimated materiality of the non-reporting and the steps that have been taken to encourage non-reporters to commence (or in some cases, re-commence) reporting.

While noting the gap is not insignificant, it is also important to note that such non-reporting does not appear to result in a significant drop in coverage.

Alternatives to Mandatory Reporting

Data-Sharing

As a general principle, APPEA notes that rather than attempting to minimise the regulatory burden on industry from the imposition of any data reporting regime, the key principle should be to first attempt to reduce the regulatory burden on industry. As noted throughout the discussion paper, there are numerous avenues into governments where petroleum production data is reported for a variety of reasons. Streamlining, rather than creating an additional reporting layer, should be the first step that the Department takes.

Within that context, APPEA notes the steps the Department has taken in recent years to more thoroughly investigate data sharing opportunities that was the case in 2013 and the opportunities and challenges that that investigation has identified. APPEA continues to support investigation and implementation, in consultation with industry stakeholders, data sharing opportunities.

Specific comments on data-sharing options are set out below.

Design of Mandatory Reporting

Design principles

The consultation paper on page 10 sets out the design principles that the Government intends to use to guide the design of mandatory reporting, as follows:

- a) **Capture relevant petroleum data accurately, in a timely way and with a high degree of reliability.** *Relevant data is any data that are essential to industry, government or other users of the petroleum statistics.*
- b) **Enable Australia to meet all its IEA reporting requirements and other international obligations.** *This will ensure Australia meets its international obligations and has internationally comparable petroleum statistics.*
- c) **Minimise the reporting burden on industry.** *This includes utilising data-sharing arrangements where appropriate to reduce the data covered by mandatory reporting and applying common definitions and methodologies. This is discussed further in Box 5.*
- d) **Minimise the disruption to existing reporters and users.** *The APS Report is a statistical publication that has run for decades so the continuity of critical datasets is an important consideration.*

Subject to the comments on data-sharing outlined above, APPEA in general supports these principles as an appropriate way to assess design options and guide the overall design on the reporting regime.

Potential Options

In considering the design options on pages 11-12 and applying from an industry perspective the design principles set out on page 10, APPEA recommends a variation on Options A and B (Conversion from Voluntary to Mandatory Reporting without Change/Mandatory Reporting, with Maximum use of Data-Sharing Arrangements) be pursued as the preferred option.

APPEA notes this option meets both design principles a) and b) and has the advantage of minimising any change to the responsibilities facing existing reporters and maintains the consistency of the APS Report's data series.

As a variation, APPEA recommends the Department continue to explore data sharing options wherever possible, with a focus on ensuring the issues associated with data-sharing that have been identified (for example, loss of sales by state and sub-category) are addressed.

Who Should Report?

APPEA recommends that regardless of who is responsible for reporting, the reporting regime allows for someone else to report on the responsible reporter's behalf.

Reporting Threshold

It is appropriate to set a production threshold to reduce the reporting burden on small cap producers, or exploration companies running extended production testing. Data from these sources could be obtained at the refinery or wholesale level.

On this basis, APPEA supports the proposal of page 14 of the consultation paper to apply a threshold of 3,000 tonnes per year and that corporations, private individuals or other businesses be exempt from mandatory reporting. APPEA recommends that that reporting threshold apply to the time period most relevant to that business (which may differ from a calendar year) and not be limited to a calendar year only basis.

Production

APPEA recommends the Department continue to explore data-sharing opportunities with other agencies, including the National Offshore Petroleum Titles Administrator (NOPTA). While the consultation paper notes on page 14 that there may be legislative and commercial constraints on how this data may be shared and used, ways to address these concerns without compromising commercial-in-confidence information should be further explored, in consultation with industry. This should not be an insurmountable problem – we would appreciate your feedback if other agencies remain unwilling to meaningfully discuss options to share data on a confidential basis.

Data-sharing should be explored in a manner that does not involve the imposing of any extra NOPTA costs on the industry. This is particularly the case when the industry already considers NOPTA's funding above that required to discharge its existing functions. APPEA recommends, in relation to NOPTA, any changes associated with the mandatory regime be met from within existing resources.

Stocks

APPEA recommends reporting for non-IEA counted stock such as stock on water remain voluntary.

Imports and Exports

APPEA recommends existing reporting arrangements for imports and exports (where data is collected by the Department of Immigration and Border Protection and not through the APS) remain unchanged.

What Categories of Products Should be Reported?

APPEA agrees in general with the position set out in the consultation of page 20 that the reporting regime cover the same categories of petroleum as covered by the existing APS Report. However, APPEA recommends that mandatory reporting be required only for those categories/subcategories required under the IEA rules and that reporting for other or more detailed categories/sub-categories continue to be voluntary.

Gas Products

It is appropriate that natural gas production is not included in the scope of the proposed mandatory data reporting. In the case of natural gas, production information is reported to governments in a similar way to petroleum liquids, with the addition of daily reporting to the Australian Energy Market Operator. APPEA agrees with the proposal on page 22 of the consultation paper that gas data reporting remain voluntary with an equivalent reporting system to petroleum data once mandatory reporting for petroleum statistics commences.

Box 10: Some Case Studies on Reporting

APPEA recommends a case study of reporting for an upstream producer be developed. APPEA would welcome the opportunity to work with the Department in developing a useful and relevant case study.

Reporting Template

To minimise reporting obligations, producers should be able to report data in the measurement type internally used by the individual organisation, with an agreed set of conversion factors established to standardise the data upon receipt.

APPEA looks forward to further consultation in 2017 as reporting templates are developed.

APPEA also welcomes the proposal set out on page 23 of the consultation paper that the Department undertake an extensive education and training program ahead of the implementation of the mandatory reporting regime and the proposed review and update of the APS guidance notes. In this context, it is important that government officials responsible for the collection and collation of data understand the nature of the industry's operations and can therefore readily observe where obvious errors exist. Past experience is that this has not always been the case.

Next Steps

APPEA looks forward to further consultation with the Government and the Department as the arrangements for mandatory reporting are further developed. In particular, APPEA looks forward to further consultation on the detailed administrative arrangements, legislative underpinning and will be available to further discuss and “road test” options as they are developed.