Date Introduced: 28 March 1985  
House: Senate  
Presented by: Senator the Hon. Gareth Evans, Q.C., Minister for Resources and Energy

Short Digest of Bill

Purpose

To allow permits for oil exploration in seabed areas controlled by the Commonwealth to be offered on a cash bidding basis.

Background

Permits for oil exploration in offshore areas are currently granted on a work program basis. Under this system, interested bodies submit proposals to the Commonwealth indicating the number and types of exploratory works that they will perform in the area. Problems with this scheme are that it requires the Government to compare and choose between various applicants though their programs may be of a similar character and size. Successful applicants are committed to an exploration program that may run for several years even though changing circumstances have since made the exploration uneconomic. A further problem with the work program scheme is that it has been found to be both costly and difficult to administer. These problems are particularly exacerbated in areas with a high chance of successful exploration and a correspondingly high number of applications.

The Bill is the result of consultation with the States and exploration industry about alternative methods of permit allocation which began with the release of a discussion paper in January 1984. A draft Bill was released for comment in December 1984. The cash bidding system is designed to complement the work program system and be used where there is strong competition for exploration permits in an area. It allows bodies meeting the requirements to bid for the right to explore in an area. It has already been announced that exploration permits will be made available for the more prospective areas in the Ashmore/Cartier Islands on a cash bidding basis.[1]
Outline

Under the cash bidding system, the Joint Authority (The Commonwealth Minister and relevant State/Northern Territory Minister) has power to grant or refuse a permit. A permit will generally go to the highest bidder and remain in force for 6 years. It may contain an option to renew for a further 5 years.

Main Provisions

The Bill will come into operation on the day it receives the Royal Assent (clause 2).

Clause 4 inserts a new sub-section 20(1A) in the Petroleum (Submerged Lands) Act 1967 (the Principal Act) to provide that the same block cannot be offered on both a work program and cash bidding basis.

Clause 5 inserts new sections 22A, 22B and 22C in the Principal Act.

Proposed section 22A deals with applications for permits and details the requirements that are to be listed in the Joint Authority's invitation for bids. The invitation will list the area concerned, the period for applications, whether the permit will be renewable, any conditions governing the permit and the matters that will be taken into account in determining the applications. An application will specify the amount bid for the permit, detail the technical background and financial resources of the applicant and be accompanied by a $3,000 fee, 90 per cent of which is refundable if the applicant is unsuccessful.

Proposed section 22B gives the grounds upon which the Joint Authority may grant or refuse a permit. If more than one application satisfies the conditions, the permit will be offered to the highest bidder who then has one month to request that a permit be issued and to pay the amount bid. Upon receipt of the request and payment the permit is to be issued by the Joint Authority as soon as practicable. Should the successful applicant fail to make the request or pay the bid within the month allowed, the permit will be offered to the next highest bidder.

Proposed section 22C allows permits issued under proposed section 22B to continue in force after the normal expiry date to allow permit holders who have discovered oil to be assured of tenure over their discovery.
Clause 7 amends section 30 of the Principal Act by inserting a new sub-section (1A) which makes it clear that permits granted under the proposed section 22B can only be renewed once where there is an option for renewal.

Clause 8 amends section 31 of the Principal Act to include permits issued under the proposed section 22B in the current restriction that renewed permits may only cover 50 per cent of the previous permit area.

There will be no duty on proposed section 22B permit holders to perform certain works in that area (clause 10).

Clause 11 amends section 129 of the Principal Act to exclude revenue from the cash bidding system from the present revenue sharing arrangements with the States and Northern Territory. The Government 'intends that there will be separate discussions which will take account of the sharing of revenue derived from cash bids'.[2]

Clause 13 amends section 4 of the Petroleum (Submerged Lands) (Exploration Permit Fees) Act 1967 to exempt permits awarded under the proposed section 22B from annual permit fees.

For further information, if required, contact:

Economics and Commerce Group
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References
