

1980

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THE HOUSE OF REPRESENTATIVES

PETROLEUM (SUBMERGED LANDS) (ROYALTY) AMENDMENT BILL 1980

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister Representing  
the Minister for National Development and Energy  
in the House of Representatives)

## Petroleum (Submerged Lands) (Royalty) Amendment Bill 1980

### Purpose

The Bill will amend the Petroleum (Submerged Lands) (Royalty) Act 1967 in conjunction with amendment of the Petroleum (Submerged Lands) Act 1967. These amendments will ensure that petroleum exploration and development activities in Australia's offshore areas beyond the 3 mile territorial sea will be subject only to Commonwealth legislation which will be administered by Joint Authorities, each consisting of the Commonwealth Minister and a Minister of the adjacent State or Territory, and the relevant State Designated Authority.

The major amendments in the Bill, dealing with the Joint Authority concept and with certain functions being carried out on behalf of the Commonwealth by State authorities are covered by the following clauses:

- Clause 3: a new sub-section (1B) makes clear that any royalty payments shall be received on behalf of the Commonwealth by the Designated Authority.
- Clause 6: the Joint Authority is empowered to direct the Designated Authority regarding ascertainment of the wellhead, of the value of petroleum at the wellhead, and of the quantity of petroleum recovered. This provision will apply retrospectively to royalty periods which commenced, and even terminated, before enactment of this Act.

Clause 1

Short title etc

The Act may be cited as the "Petroleum (Submerged Lands) (Royalty) Amendment Act 1980 and the Principal Act to which it refers is the Petroleum (Submerged Lands) (Royalty) Act 1967.

Clause 2

Commencement

The Act comes into operation on a date to be proclaimed.

Clause 3

Royalty

Sub-section 5(1) of the Principal Act, dealing with the payment of royalties, is replaced by 3 new sub-sections:-

The new sub-section (1) provides that after enactment of this Act all petroleum produced in a title area is subject to the payment of royalty at the prescribed rate. At present the liability to pay royalty is imposed by a condition in the title document, but it is considered that it is preferable to impose this liability directly by the Act.

The new sub-section (1A) provides that where petroleum was produced under an existing title in a royalty period which commenced before enactment of this Act, any royalty

unpaid on such production shall be paid in accordance with the conditions of such existing title.

The new sub-section (1B) provides that any royalty payments to a Designated Authority shall be received by the Designated Authority on behalf of the Commonwealth.

In sub-section (3), dealing with royalty rates applicable to secondary licences, the reference to the Designated Authority is deleted because the rate will be determined by the Joint Authority.

Sub-section (7) is replaced by 2 new sub-sections:

The new sub-section (7) provides that the royalty rate applicable under a renewed licence shall be the same as that which would have been applied under the previous licence if that licence had run on.

The new sub-section (8) provides that any references to the prescribed rate of royalty shall be understood to mean the rate applicable under this Act from time to time.

#### Clause 4

#### Reduction of royalty in certain cases

Section 6 of the Principal Act is replaced by a new section 6.

Sub-section (1) provides that where petroleum production from a well has become reduced to a stage at which the payment of royalty at the ruling rate makes further production uneconomic, the Joint Authority may set a lower rate of royalty for all or part of the production from such well so that further production from it may remain or become viable.

Sub-section (2) states that where the royalty rate is reduced as set out above, the new lower rate shall be set out in the determination document.

Sub-section (3) empowers the Joint Authority to revoke or vary any such royalty determination from a date set out in the relevant document.

A saving clause provides that any determinations made before enactments of this Act shall continue until revoked under the amended provisions.

#### Clause 5

##### Ascertainment of quantity of petroleum recovered

The amendment of section 10 is an editorial one to make it clear that it refers to the measurement of petroleum from a particular well.

#### Clause 6

##### Directions by Joint Authority

A new section 10A is to be inserted, which empowers

the Joint Authority to direct the Designated Authority in the exercise of his powers under sections 8 (ascertainment of wellhead), 9 (ascertainment of value of petroleum at the wellhead) and 10 (ascertainment of quantity of petroleum recovered), and requires the latter to act in accordance with any such directions.

The application of this provision is to be retrospective, applying to royalty periods which commenced, and even terminated before enactment of this Act.

Clause 7

Provisions with respect to Barracouta and Marlin Fields

Production Licences

In section 12 of the Principal Act 3 new sub-sections are to be inserted after sub-section (2) in order to introduce the new Joint Authority concept and other aspects of the new arrangements in the appropriate passages of the existing Barracouta and Marlin licences.