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Offshore Decommissioning Directorate
Industry House,10 Binara Street,
Canberra, ACT

Via email: decomdirectorate@industry.gov.au

Dear Sir/Madam,

DISR Offshore decommissioning and financial assurance reforms

Santos welcomes the opportunity to comment on DISR's Offshore Decommissioning and Financial Assurance Reforms consultation paper. Santos supports policy approaches that are economically efficient, equitable and deliver optimal environmental outcomes. Economic efficiency is important because a fundamental principle of the Petroleum Resource Rent Tax involves tax expenditures of up to 40 per cent of decommissioning costs. Santos is a titleholder in Commonwealth and state jurisdictions and has a strong record of executing decommissioning projects to plan and budget thanks to its organisational capability and financial position. Santos considers it is the responsibility of relevant regulators, including NOPSEMA and NOPTA, to ensure titleholders have the necessary attributes for responsible decommissioning, prior to tenures being awarded, with ongoing assessments of capability, finances and performance over time. Santos recommends that DISR address several key areas to incentivise titleholders' performance, including:

- focussing on highest risk activity first;
- streamlining duplicative regulatory regimes; and
- promoting flexibility to determine the most appropriate decommissioning outcome for infrastructure, including the ability to leave in-situ where safety and environmental outcomes are met.

Australian law already recognises that alternatives to full removal may be considered where they deliver equal or better environmental outcomes. To enable this in practice, Santos seeks an amendment to s572 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (**OPGGSA**) to rescind the default requirement to remove all infrastructure. If the "equal or better" environmental outcomes test can be met by leaving infrastructure in situ, this should be open to titleholders as long as risks are, as always, managed to ALARP.

In terms of an assurance framework, Santos supports implementation of the proposed AEP-developed, industry-endorsed Financial Assurance Framework, based on the well-established UK model. Santos believes it is critical to implement a risk-based financial assurance framework focused on titleholder accountability. A sound risk assessment framework should draw on recognised, objective measures and industry best practice.

Effective transitional arrangements are essential to ensure the successful implementation of any new Financial Assurance Framework – or material variations to the existing Framework – without disrupting ongoing operations, investment decisions or field life extensions. Existing projects span decades of planning and investment under the current regime, and abrupt changes risk unintended consequences such as premature shutdowns or reduced field development activity, with potential to result in secondary issues across the domestic gas market and broader industry. Therefore, a planned transition period for existing titles is required, with grandfathering of low-risk titles where adequate financial capacity has already been demonstrated.

We thank you for the opportunity to comment on the consultation paper, we would be happy to address any of the points raised here in more detail.

Yours sincerely

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DISR Offshore decommissioning and financial assurance reforms

Consultation questions

Section 4: Other decommissioning and financial assurance frameworks

1. What aspects of international and domestic onshore decommissioning frameworks should Australia consider in its reforms, and why?

Australia's offshore decommissioning reforms present an opportunity to adopt international best practice in a way that delivers certainty, flexibility, and competitiveness for responsible titleholders, while addressing the small number of cases where financial capacity has been in doubt.

Key elements that Santos would broadly support (and that align with leading regimes in the UK, Norway, Canada, and New Zealand) include:

- **Early, Iterative, and Proportionate Decommissioning Planning** - Santos welcomes the ability to submit high-level decommissioning strategies at the field development stage and update them periodically. This allows titleholders to optimise removal/re-use options over time, incorporate new and emerging technology, and avoid the costly "big bang" planning that occurs under the current late-stage model.
- **Risk-Based, Flexible Financial Assurance** – We view a UK/Norway-style tiered financial viability test (focused on tangible net worth, liquidity, and credit metrics) as fair and workable. Well-capitalised companies and those with strong parent company guarantees would face minimal or zero additional security requirements — exactly as occurs in the UK North Sea for low-risk operators (who form the majority).Where security is required, Santos strongly supports a broad menu of instruments (parent company guarantees, letters of credit, trust funds, insurance products, or decommissioning security agreements) and staged posting rather than 100% upfront. This preserves capital for reinvestment in late-life production, CCUS, or offshore wind projects.
- **Clear and Predictable Residual Liability Rules** - Operators value certainty. A clearly defined, time-limited post-decommissioning monitoring period (with the option of early release once monitoring confirms no material issues) would be welcomed. Joint and several liability could remain with the final titleholder group, provided the rules are transparent and release mechanisms are available — mirroring the practical outcomes available in the UK and Norway.
- **Streamlined Change-of-Control Processes with Sensible Safeguards** - Late-life transactions are a normal and beneficial feature of mature basins across the world — they extend production and asset life while maximising economic recovery. A fast-track approval process for transfers to creditworthy buyers, combined with the option to top-up security if needed, strikes the right balance (again, the UK model works well in practice).
- **Greater Transparency That Respects Commercial Sensitivity** - Santos supports aggregated public reporting of cost trends and performance benchmarks (as the UK's North Sea Transition Authority already does). Redacted or banded disclosure of individual field estimates protects competitive data while still building public confidence.

A regime built on early planning, risk-based and flexible security, clear residual liability rules, and streamlined late-life transactions would align Australia with mature offshore jurisdictions (UK, Norway, Canada), reducing regulatory uncertainty, while providing robust protection against risks that have concerned [the Commonwealth?] government in recent years.

2. What are the key differences between the industries internationally and onshore that we need to consider in developing the reforms?

Internationally

Australia's objective-based regulatory regime for decommissioning promotes innovation and adaptability but places heavy responsibility on operators to demonstrate compliance, potentially leading to longer approval times. Compared to the US's more prescriptive regime, Australia's regime is seen as more flexible but demanding higher expertise from operators. Norway and the UK are closest to Australia in their offshore safety culture emphasis and environmental scrutiny.

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Onshore

Santos operates in several state jurisdictions in Australia and notes several aspects of onshore decommissioning regimes that are relevant to this consultation. For example, in South Australia leave in situ is an accepted end-state for buried pipelines, subject to:

- structured abandonment plan;
- segment-by-segment analysis;
- risk assessment and stakeholder engagement; and
- consideration of land use, environmental sensitivity, and subsidence risk.

Governed under the *Petroleum & Geothermal Energy Act 2000* (SA), AS 2885.3 provides a decision framework (incl. flowchart) for determining suitability of leave-in-situ options. Pipelines must be purged, isolated, and all risers / above-ground components removed. Final decommissioning outcomes must align with the Statement of Environmental Objectives (**SEO**) such as contamination-free, stable soils, vegetation rehabilitation, etc. Short-term monitoring is typically required until SEO rehabilitation objectives are achieved. However, long-term monitoring may be required if site contamination is present — the duration depends on extent and risk profile.

In Queensland, the Environmental Authority (**EA**) sets conditions for decommissioning, rehabilitation, monitoring and surrender — conditions vary by licence. Leave in situ is generally the practical default for buried pipelines due to impracticality of removal. There is provision to leave other infrastructure (such as dams) where contamination free. Above ground pipelines can and should be removed but are typically deferred until full decommissioning. The state requires approval to retain "suspended" pipelines beyond three years, but this does not mandate abandonment.

EA conditions require that significantly disturbed areas are rehabilitated within 12 months of being "no longer required". In practice, areas are considered "required" until true end-of-life or licence surrender (e.g., mothballed assets are retained). Rehabilitation criteria vary across operations and attaining final criteria may take significant time post-abandonment. A Licence cannot be surrendered until all EA rehab conditions are completed and residual risk payments may apply at surrender.

Section 5: Proposed areas for reform

3. Which aspects of the current decommissioning framework are working well, and which require reforms, and why?

Santos has many years of experience in executing decommissioning projects to plan and budget thanks to its organisational capability and financial position

Evidence based assessment of alternatives to full removal:

Australian law already recognises that alternatives to full removal may be considered where they deliver equal or better environmental outcomes. To enable this in practice, Santos seeks an amendment to s572 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (**OPGGSA**) to rescind the default requirement to remove all infrastructure. If the "equal or better" environmental outcomes test can be met by leaving infrastructure in situ, this should be open to titleholders if risks are, as always, managed to ALARP.

In this regard, Santos asks that DISR take account of the various studies into the marine life and environment benefits of leaving seabed infrastructure in place, as has taken place in many places including offshore California for example. In Australia, CSIRO states on its website that… "*It is often assumed that the complete removal of offshore infrastructure is the best option for the environment. That's not always the case. When an engineered structure has been part of the marine environment for an extended length of time, it has almost certainly become home to a diverse range of marine life*".

In the assessment of decommissioning alternatives, economic factors and an assessment of the potential impact to the environment by removing relevant property and infrastructure (especially buried pipelines) should be added to the assessment criteria when weighed against alternatives such as in situ (please see Santos' submission on the Removal of oil and gas property and sea dumping of infrastructure in Commonwealth waters: draft guidance August 2024 attached to this submission).

Further to this, the current framework for decommissioning does not allow non-environment factors to be considered when deciding upon decommissioning activities.

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This creates the risk that decommissioning options are constrained by the existing regulatory framework, to the detriment of reaching the 'optimal' outcome for each case. (Reference: AEP Submitted on 18 Nov 2022 for DMIRS "*Decommissioning Discussion Paper for WA Onshore and State Waters Petroleum, Geothermal and Pipeline Property, Equipment and Infrastructure*".)

Regulator Submission & Approvals:

Multiple documentation and approvals hurdles to navigate due to the involvement of several regulatory bodies. There is no consistent and overarching guidance between regulators and a lack of clarity throughout decom life cycle from regulators (i.e. expectations for delivery of supporting closure evidence). For example:

- In WA, the following Acts, together with regulations made thereunder, may be relevant, depending on the location of the operations:
  - Petroleum (Submerged Lands) Act 1982 (WA)
  - Petroleum and Geothermal and Energy Resources Act 1967 (WA)
  - Petroleum Act 1936 (WA)
- In the Northern Territory, the following Acts, together with regulations made thereunder, may be relevant, depending on the location of the operations:
  - Petroleum (Submerged Lands) Act 1981(NT)
  - Petroleum Act 1984 (NT)
- In the Commonwealth there are several Acts that essentially consider the same environmental risks and impacts, this leads to additional time and cost implications for decommissioning planning and can cause uncertainty for the titleholder if they receive one approval and potentially not the other which can impact decommissioning execution campaigns:
  - NOPSEMA - OPGGSA and related OPGGS (E) Regulations 2023
  - DCCEEW - Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)
  - DCCEEW - Protection of Environment (Sea Dumping Act 1981)
- In practice, the combination of State/Territory and Federal regimes means that projects are confronted by a plethora of obligations such as:
  - Reindeer / Devil Creek decommissioning project required six submissions for approval (NOPSEMA, WA Department of Planning, Lands and Heritage WA Local Government, Industry Regulation and Safety, WA Department of Mines, Petroleum and Exploration, WA EPA)
  - HJV Decommissioning project required eight submissions for approval (LGIRS, DMPE, DWER, DCCEEW (post approvals & sea dumping)

There is a clear opportunity to review and streamline regulatory overlap, as was achieved in 2014 via the NOPSEMA EPBC Act Program, which streamlined environmental assessments to a single process. This reduced administrative burden on companies, and consultation burden on stakeholders and the community.

Santos also requests DISR to consider opportunities for efficiency improvement such as:

- **Regulatory Scope Creep**: NOPSEMA's 1-3-5 approach, while designed to provide clear, time-based targets for decommissioning, has in practice led to scope creep when the rigid timelines force a widening of required activities beyond an operator's initial decommissioning plan. The application of the guidelines have been extended beyond the intended scope as defined in the regulations and the Act and are not subject to parliamentary oversight.

- **Clear guidance**: Clarify purpose and relationship with other materials, guidelines and policy documents issued by relevant government departments and bodies.

- **Clear Monitoring requirements:** If the full removal of infrastructure is completed, then ongoing monitoring should not be required. What would be the purpose of future monitoring? What are the key risks and concerns that monitoring requirements would seek to meaningfully address?

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4. What drivers and incentives for titleholders' behaviour around decommissioning do we need to consider while developing reforms?

Santos recommends that DISR address several key areas to incentivise titleholders' behaviour, including focussing on highest risk activity first and promoting flexibility to determine the most appropriate decommissioning outcome for infrastructure, including the ability to leave in-situ where safety and environmental outcomes are met.

Santos would also encourage opportunities for efficiencies such as regulatory assessment streamlining (as per comment above). There is an opportunity for key regulators (e.g. NOPSEMA and DMPE) to provide more consistency in assessment factors (e.g. common Comparative Environment Impact Assessment approach), and assessment timeframe for removal cases.

In addition, full removal of all pipeline infrastructure is often operationally intensive and complex while yielding marginal or, in some cases, net negative environmental benefit. Australian law already recognises that alternatives to full removal may be considered where they deliver equal or better environmental outcomes. In its consideration of reforms, in cases where there is not already an equal or better environmental outcome, we would encourage DISR to promote pathways that allow titleholders to demonstrate superior net environmental benefit through independently verified restoration actions.

For example, resources that would otherwise be spent removing stable, well-characterised subsea infrastructure, could instead fund regulated and evidence-based plastics offset programs removing harmful marine plastic currently circulating in Australian waters or accumulating along coastlines. This plastic represents a more acute ecological threat to marine life and reef systems. Where operators can demonstrate, through recognised verification and reporting standards, that their proposed approach delivers measurably greater environmental benefit than traditional full removal, DISR should consider enabling leave-in-situ approvals with auditable restoration conditions. This would prioritise removal of higher-risk marine plastic, support measurable improvement to marine ecosystems, jurisdiction and align decommissioning expenditure with government objectives for ocean health.

5. What transition arrangements should we put in place for the reforms?

Santos believes it is important to fast-track the proposed reform to provide certainty and a clear path forward for titleholders that can be factored into any new projects. As part of this we also note that effective transitional arrangements are essential to ensure the successful implementation of any new Financial Assurance Framework without disrupting ongoing operations, investment decisions or field life extensions. Existing projects span decades of planning and investment under the current regime, and abrupt changes risk unintended consequences such as premature shutdowns or reduced field development activity. Therefore, a transition period (at least 3–5 years) for existing titles is required, with grandfathering of low-risk titles where adequate financial capacity is already demonstrated.

Decommissioning planning

6. What other ways can the government encourage early planning, increased transparency and more efficient decommissioning?

Standardise Objectives and Obligations: Currently, industry is required to engage with a variety of regulators with jurisdiction over a project, requiring separate submissions against different approval requirements. As noted in our response to Question 3, the efficiency of decommissioning would be considerably enhanced by the standardisation of objectives and obligations requiring one submission for joint approval by all regulatory bodies.

A well-structured project proposal should encompass a whole-of-life perspective, with clear plans of intent about how decommissioning should be undertaken. While precise design and costing are processes best finalised as the life cycle nears completion and the character of the asset is more clearly understood, an articulation of the decommissioning strategy should be part of the primary regulatory approvals process (i.e. the Field Development Plan), but should not be required in the preliminary approvals process as that should focus on the relative merits of the project. This would allow for:

- Regulator feedback to inform material selection prior to project construction
- Agreement with the Regulator on criteria / requirements throughout the asset life
- Early approval on monitoring, maintenance or other requirements throughout operations.

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Risk-based, proportionate oversight: Focus enhanced planning requirements on higher-risk or late-life assets, allowing low-risk titleholders with strong compliance histories to benefit from streamlined submissions. This encourages proactive early planning by rewarding good performers, while aligning updates with existing cadences (e.g., linking to financial assurance reviews rather than mandating frequent standalone revisions).

Industry-government partnerships: Develop effective industry-government partnerships to refine implementation, share best practices, and address knowledge gaps. Incentives such as recognition for early adopters or support for collaborative campaigns (e.g., shared vessel usage) could drive efficiency, building domestic capability as envisioned in the Offshore Resources Decommissioning Roadmap[1].

Leverage existing mechanisms: Utilise current reporting tools like Annual Title Assessment Reports (ATARs) for high-level evidence of planning progress, avoiding expansion that overlaps with a dedicated decommissioning plan or financial assurance. Publicly available (redacted) summaries of approved plans could enhance transparency without compromising commercial sensitivities, with clear protections under the OPGGSA.

Support for innovation and collaboration: Promote technology trials, joint industry projects, and supply chain development to reduce costs.

7. What should be in a decommissioning plan?

Santos recommends the following be included in a Decommissioning plan:

- Description of Asset
- Regulatory Requirements / Key Stakeholders / Approval Application and Timing
- Materials of construction
- Ongoing monitoring & maintenance
- End state proposals
- Decom Methodologies
- Decom Cost Estimate (at a level of accuracy appropriate to the maturity of Decom scope)

These would be updated through project life in the event of material changes.

If materially significant brownfield work is conducted during the life of the asset this could potentially trigger a revision of the decommissioning plan, which should require resubmission to the regulator. Any revised decommissioning plan should be submitted at a logical point (e.g., towards end-of-field life) with updates triggered by material changes rather than rigid intervals or mandatory Field Development Plan reviews. Sensitive commercial information must be protected from unintended disclosure. This approach - avoiding statutory declarations - would provide regulators with the necessary, targeted assurance while minimising industry burden and fostering efficient and transparent planning.

8. When should a titleholder be required to submit a decommissioning plan, both initially and for updates?

As per the response to question 6, Santos recommends submitting with Field Development Plan (FDP) or equivalent as part of the initial approvals process, given it is more cost effective to do at this time and more valuable information to have. If updates are required to the FDP throughout the facility lifecycle, then revisions must be submitted for approvals.

9. How could current cost estimation and reporting requirements be improved?

To enhance cost estimation and reporting for offshore decommissioning, Australia should draw on proven approaches from mature jurisdictions like the UK and Norway. These regimes have successfully reduced costs through collaboration, standardisation, and benchmarking, achieving significant savings without compromising safety or environmental outcomes. Key improvements could include:

[1] Australia's Offshore Resources Decommissioning Roadmap 2024: Australia's Offshore Resources Decommissioning Roadmap | Department of Industry Science and Resources

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- **Co-developed standardised guidelines and templates**: Partner with industry to create Australian-specific guidance on cost estimation methodologies, inspired by the UK's Offshore Energies UK (OEUK) Guideline on Decommissioning Cost Estimation (Issue 3)[2] and UK's Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) detailed Decommissioning Programme templates[3] (including structured cost breakdowns). A common Decommissioning Work Breakdown Structure (WBS), generic economic assumptions (e.g., vessel rates, inflation factors), and probabilistic modelling tools would ensure consistency, reduce variability in estimates, and facilitate regulator review without requiring bespoke submissions that duplicate financial assurance data.
- **Benchmarking and annual industry reporting**: Adopt elements of the UK's North Sea Transition Authority (NSTA) model, with voluntary (then mandatory) benchmarking of estimates against actuals, anonymised data sharing, and periodic national cost updates (as in the UK's annual Decommissioning Cost and Performance Reports). This work could be coordinated by The Centre of Decommissioning Australia (CODA) and would promote continuous improvement, identify efficiencies (e.g., campaign-based well P&A, a major cost driver), and build a robust Australian dataset, addressing current gaps due to limited executed projects, while protecting commercial sensitivities.
- **Risk-based, tiered reporting**: Link cost estimates primarily to the standalone decommissioning plan and financial assurance reviews, avoiding expansion into ATARs or frequent FDP variations. Early-life estimates could remain high-level/conceptual, maturing towards detailed probabilistic assessments (P10/P50/P90 ranges) nearer end-of-field life, aligned with Norway's field-specific plans that emphasise transparency but flexibility.
- **Incentives for accuracy and efficiency**: Encourage early adoption of best practices through streamlined approvals for operators demonstrating robust estimates. Support collaborative campaigns and technology trials (e.g., shared vessels, as promoted in the UK) to drive down costs, turning the significant workload into opportunities for Australian supply chain growth.
- **Clear protections and consultation**: Explicitly safeguard commercially sensitive data under the OPGGS Act, with co-designed guidance ensuring estimates inform (but do not duplicate) financial assurance obligations.

These enhancements, building on international successes where industry-government collaboration has delivered billions in savings, would provide predictability, reduce administrative burdens, and enable more accurate forecasting.

10. Should proposed alternative end states be in the decommissioning plan and cost estimates? If so, how?

Yes, it is Santos' view that decommissioning plans and cost estimates should accommodate alternative end states where applicable, as part of determining the most optimum decommissioning strategy. The reforms should allow titleholders to demonstrate that alternatives (e.g., partial removal or leave-in-place) deliver equal or better environmental, safety, and well integrity outcomes.

Drawing on mature jurisdictions like the UK, where separate templates exist for non-derogation (full removal) and derogation (alternative) cases, and comparative assessments are integral for any deviations from full removal. Key components should include:

- Inclusion in the plan: The decommissioning plan should feature a base case of full removal as the default, with alternatives presented via a structured comparative assessment. This would include:
  - A "removal case" (full compliance with presumptive removal).
  - An "expected case" (preferred alternative, if pursued), supported by evidence on safety, environmental impacts/risks (reduced to ALARP), socioeconomic factors, and stakeholder consultation.
  - High-level details early in the lifecycle (e.g., conceptual options), maturing to detailed assessments nearer end-of-field life.

[2] Guideline on Decommissioning Cost Estimation – Issue 3: Guideline on Decommissioning Cost Estimation - Issue 3
[3] UK Decommissioning Programme Template, March 2025: DP - Non Derogation Template March 25.pdf

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- Cost estimates: Cost estimates should cover both the base case and viable alternatives, using standardised methodologies that reflect uncertainties. This ensures transparency for financial assurance without duplication, while enabling regulators to evaluate net benefits.

This tiered inclusion encourages proactive exploration of efficient options (e.g., potential cost savings or reduced environmental disturbance), provides regulatory certainty, and rewards responsible operators—mirroring UK successes where thorough comparative assessments have optimised outcomes while maintaining high standards.

11. How can information on decommissioning planning give certainty and visibility to the decommissioning supply chain and broader decommissioning industry? What are potential drawbacks of sharing this information?

Delivering on the primary objective of implementing a responsible decommissioning regulatory regime as described in early responses will help the development of a sustainable and right-sized decommissioning supply chain. Key considerations include:

- **Commercial:** Given the potential commercial and IP considerations, Santos suggests that the focus should be on supporting bodies such as CODA to refine implementation, share best practices, and address knowledge gaps. Incentives such as recognition for early adopters or support for collaborative campaigns (e.g., shared vessel usage) could drive efficiency, building domestic capability as envisioned in the Offshore Resources Decommissioning Roadmap.
- **Premature or inaccurate signalling**: Early plans are inherently uncertain; changes could erode trust if suppliers over-invest based on outdated information. Mitigation: Focus sharing on mature, near-term plans (e.g., 5–7 years pre-cessation), with clear disclaimers.
- **Regulatory burden**: Additional reporting could duplicate existing processes. Mitigation: Leverage standalone decommissioning plans and existing mechanisms (e.g., ATAR summaries), with voluntary early contributions incentivised.

Financial planning and assurance

12. What information should be submitted in a financial plan for decommissioning?

Santos recommends that information submitted in a financial plan for decommissioning is consistent with the information supplied as part of the decommissioning plan cost estimates. The financial plan should be supported by a robust risk assessment process – based on the following items to support capacity to fund:

- Joint venture structure and/or other commercial arrangements to support decommissioning financial assurance
- Titleholder credit ratings or their respective parent companies

We recommend using existing accounting standards and external audit requirements of provisions for decommissioning costs.

13. What criteria should be used to assess the financial planning for decommissioning?

We would recommend adopting a risk-based approach that considers commercial structures and titleholder financial strength (as assessed by independent rating agencies) on a project basis. We also suggest that there is value in using existing accounting standards and external audit requirements of provisions for decommissioning costs.

14. What forms of financial arrangements are robust demonstrations of available funding and why?

Santos supports the adoption of proven financial assurance mechanisms that deliver robust, transparent and efficient security for decommissioning obligations. Modern joint venture operating agreements (JVOAs) and dedicated decommissioning financial assurance arrangements (such as Decommissioning Security Agreements (DSAs) or Decommissioning Assurance Agreements (DAAs)) are widely recognised as effective tools for demonstrating available funding.

Key features of these arrangements include:

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- **Joint and Several Liability**: These frameworks ensure all titleholders within a project are collectively responsible for meeting decommissioning obligations. This provides a sound basis for financial risk assessment and incentivises early action by all parties.
- **Security Provided at the Appropriate Time**: Security is required well before the asset value becomes negative relative to decommissioning liabilities. This proactive approach reduces the risk of "last man standing" situations and minimises reliance on government intervention through trailing liability mechanisms.
- **Flexible Security Instruments**: Acceptable forms of financial assurance can be tailored to suit the specific circumstances and risk of each joint venture partner.
- **Alignment with International Best Practice**: The UK decommissioning financial assurance model, which has been refined over decades, demonstrates that such arrangements are credible, cost-efficient and adaptable. This approach is readily applicable to the Australian context due to similarities in legal and regulatory systems.

Key outcomes of these arrangements:

- They are commercially embedded, ensuring ongoing commitment from all parties.
- Security is calibrated to actual risk, avoiding unnecessary capital lock-up while maintaining strong protection for decommissioning liabilities.
- Flexibility in the choice of instruments allows for efficient and timely responses to changing project circumstances.

The model relies upon a strong regulatory framework as a last resort backstop intervention by Government (e.g. ability to require direct security and issue trailing liability remedial directions) that can be applied, if necessary, after assessing the risk of sole titleholder permits.

Decommissioning and financial capacity risk assessments

15. What factors should we consider in decommissioning and financial capacity risk assessments?

A sound risk assessment model for decommissioning and financial capacity should be designed to identify those industry participants who are most likely to present the risk of unfunded decommissioning and should draw on recognised, objective measures and industry best practice. Santos recommends the following key factors be considered:

- Financial Strength of Titleholders: Refer to independent credit ratings from agencies like S&P or Moody's to assess each party's financial health. Investment grade credit ratings (BBB- or better) underpin entities ability to access capital markets and should be a primary indicator of their ability to fulfil their financial obligations including for decommissioning.
- Existing Joint Venture Security and Assurance Mechanisms: As noted in Question 14 above, JVOA and associated decommissioning assurance mechanisms ensure all titleholders within a project are collectively responsible for meeting decommissioning obligations. This provides a sound basis for financial risk assessment and incentivises early action by all parties. Titleholders who are sole titleholders should attract a higher degree of scrutiny.
- Governance and Track Record: Review the operator's experience managing similar projects and delivering on decommissioning obligations.
- Regulatory Compliance: Confirm that all parties have a good record of meeting legal and regulatory requirements.

16. How often should assessments be undertaken? What circumstances should trigger an updated assessment?

Santos supports a risk-based approach to the timing and frequency of decommissioning and financial capacity assessments. This approach should build on established joint venture security and assurance mechanisms, while also recognising the need for greater scrutiny of sole titleholders.

- Assessment Timing:

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- Assessments should be completed initially prior to Final Investment Decision (FID) and submitted as part of the approvals process for each project. This aligns with the timing for decommissioning plan submissions and provides a cost-effective and efficient framework for both industry and regulators.
- Ongoing reviews should follow the triggers already embedded in most joint venture operating agreements - typically when decommissioning liability exceeds the asset's value. At this point, security arrangements are reviewed and adjusted as required.

- Triggers for Updated Assessments:
  - Assessments should be updated if there is a material change in the financial position of a titleholder, such as a credit rating downgrade below investment grade by an independent ratings agency.
  - For projects with sole titleholders, more frequent or detailed reviews may be appropriate, especially where the financial position is less robust or where there is no partner oversight.
  - Government involvement in additional assessments should be limited to cases where a titleholder or project has been identified as high risk, or where there is evidence of increased exposure (e.g. financial distress or change in ownership structure).
- Leverage Existing Mechanisms to provide appropriate assurance to government and stakeholders that risk is appropriately managed without undue cost to government and industry:
  - Regular security and assurance reviews under JVOAs provide a strong foundation for ongoing monitoring.
  - Titleholder-led processes reduce unnecessary regulatory burden, with government oversight applied when warranted by risk to provide appropriate assurance to government and stakeholders.

17. Should assessments only be taken at the project level? Or should there be a process to assess the risks of titleholders across multiple projects?

Santos recommends that primary risk assessments for decommissioning and financial capacity should be conducted at the project level, accounting for the combined position of titleholders.

- Project-Level Focus
  - Established joint venture security and assurance mechanisms are designed to provide robust assessment and oversight for each individual project.
  - Project-level reviews ensure that specific decommissioning liabilities, operational risks and funding requirements are properly identified and managed for each asset.
- Supporting Titleholder Assessment
  - While assessments should focus on the project, it is important to consider the financial strength of titleholders as part of this process.
  - This should draw on objective measures such as independent credit ratings, which account for cashflow from other projects that may be available to support decommissioning obligations.
- Why this Approach Works
  - Focusing on the project leverages existing, proven joint venture mechanisms to manage risk where it matters most.
  - Including an assessment of titleholder strength ensures that broader financial health is considered without duplicating effort or introducing unnecessary complexity.

Offshore decommissioning and financial assurance reforms

18. What factors should we consider in broadening information gathering and sharing powers? How could we manage any associated risks?

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Santos does not see benefit in broadening information gathering and sharing powers, unless it is with the express intent to deliver a more efficient regulatory environment by avoiding duplicative work and streamlining processes.

Compliance and enforcement tools

19. What compliance and enforcement tools or mechanisms should we consider to ensuress titleholders meet their decommissioning obligations without imposing undue costs or barriers to investment?

Santos considers the current enforcement tools to be reasonable, proportionate and effective in their application.

20. How could a potential financial assurance enforcement tool support compliance with decommissioning obligations?

Santos considers the current enforcement tools to be reasonable, proportionate and effective in their application.

Title surrender and post-surrender

21. What changes, if any, should we consider around decommissioning requirements for title surrender, and why?

As previously noted in our response, the question of monitoring requirements should be addressed as part of title surrender requirements. For example, if the full removal of infrastructure is completed, then Santos' view is that ongoing monitoring should not be required. If monitoring were required in the case of full removal, what would be the purpose of monitoring and for how long? What are the critical risks and concerns expected to be addressed by a monitoring program if all property has been removed?

Section 6: Informing the decommissioning framework for offshore greenhouse gas storage

22. How can we apply the proposed reforms in the greenhouse gas storage context?

Santos recommends that the application of the proposed decommissioning reforms to offshore greenhouse gas (GHG) storage should adopt a proportionate, risk-based approach that recognises the fundamentally lower operational risks of injection-only systems and the early-stage maturity of Australia's CCS market.

GHG storage projects have lower operational risk profiles (no hydrocarbons, no pressure cycling from production). However, early-stage CCS investments carry high capital cost and uncertainty; therefore, excessive prescriptiveness could discourage investment and delay storage capacity build-out. A principle-based framework allows regulators to calibrate requirements proportionately as industry capability and risk understanding matures.

While the core principles of clarity, accountability, and financial responsibility should remain -technical, monitoring, and financial assurance requirements should be scaled to actual risk, with more flexibility during early deployment and pilot phases. Apply a risk-based approach—mirroring petroleum requirements—that can be adapted for CO_2 injection, containment and long-tail remediation risk.

Streamlined pathways for repurposing petroleum infrastructure, transitional liability arrangements, and simplified title conversion processes will help remove unnecessary barriers to CCS investment. Safeguards for decommissioning and ownership transfer should focus on fit-for-purpose assessments, without imposing excessive or duplicative burdens. Overall, the aim is to enable timely development of GHG storage projects while maintaining environmental integrity and long-term stewardship confidence.

23. How would we need to modify the reforms to address specific greenhouse gas storage market conditions? What technical and monitoring requirements need modifying?

GHG Storage requires modifications to account for CO_2 behaviour and long-term containment risks. GHG storage requires long monitoring periods, but risks diminish rapidly post-injection; lower intensity

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monitoring can remain effective. Injection wells do not involve corrosion and fatigue cycles typical of production wells, justifying simplified well integrity criteria.

Further, CCS has been identified under the Net Zero Plan as a critical technology to deliver net zero targets. A highly prescriptive assurance regime could push CCS project costs beyond commercial viability, thereby undermining national emissions reduction objectives.

Santos therefore recommends adopting fit-for-purpose CO_2 monitoring and well integrity standards that have scope for adaptive monitoring and phased changes in requirements as operational experience grows. Modifications include:

- Reduce the frequency and granularity of long-term monitoring requirements, shifting towards risk-based, adaptive monitoring plans rather than fixed prescriptive schedules.
- Allow flexible technical standards that reflect lower mechanical complexity (e.g., injection-only wells vs high-rate production wells).
- Replace fixed financial assurance formulas with project-specific assurance assessments that reflect the lower probability of major decommissioning liabilities.

24. What additional reforms, if any, should we consider, that will facilitate the transition from petroleum to greenhouse gas storage titles?

Santos recommends supporting the transition from petroleum to GHG Storage titles through streamlined approval pathways, pragmatic integrity assessments, and flexible repurposing criteria that encourage re-use of suitable infrastructure without unnecessary burden. Key reforms could include:

- A single, coordinated regulatory pathway for technical, environmental and financial approvals to reduce duplication and accelerate responsible repurposing.
- Introduce transitional liability relief where legacy petroleum liabilities are partially capped or shared with government when infrastructure is demonstrably suitable for GHG storage.

These recommendations are made given that existing infrastructure greatly reduces CCS project costs; unnecessary technical re-work or duplicative safety cases creates a barrier to repurposing. Operators may hesitate to convert assets if doing so exposes them to legacy petroleum liabilities indefinitely. A more enabling approvals regime helps accelerate CCS deployment without materially increasing risk.

25. What safeguards do we need to ensure decommissioning obligations are met? Including when the transition from petroleum to greenhouse gas operations also involves a change in ownership?

In addressing the question of safeguards, we note several aspects should be considered. Firstly, overly burdensome assurance obligations could deter investment or asset transfers essential for CCS growth. We note that risks naturally reduce over time as the injected CO_2 mineralises and pressure normalises—so financial assurance can sensibly taper. Additionally, minimising transactional friction supports commercial CCS markets while still ensuring that obligations remain enforceable. In that context, Santos recommends the following safeguards:

- Maintain core safeguards (fit-and-proper tests, financial capability checks) but apply lighter reporting and assurance burdens where the residual risk profile is low.
- Use a graduated financial assurance model where requirements decrease as the subsurface behaviour of the CO_2 plume stabilises.
- For ownership changes, the system should prioritise practical safeguards rather than heavy administrative processes. A short transitional liability buffer (e.g., 12 months) provides continuity of coverage while preventing indefinite trailing liability for outgoing parties. Minimum data handover obligations ensure the incoming operator has full visibility of the site's history, monitoring results and subsurface models, reducing the risk of unintentional non-compliance.
- Targeted, "focused assurance reviews" should be available to regulators when material concerns arise, but not required, for every transaction—keeping oversight effective but not burdensome.