



Australian Government

Department of the Environment and Energy

Response Template: Mandatory Reporting of Petroleum Statistics

The Consultation Paper on Mandatory Reporting of Petroleum Statistics asks 23 questions to help the Department of the Environment and Energy to design an effective mandatory reporting program, while minimising the reporting burden on petroleum companies.

To help stakeholders develop their response to the Consultation Paper, the Department developed this response template. **Use of the template is optional** and responses submitted in other formats will be accepted.

There is no need to answer all the questions in the template. However, please address any question which is relevant to you.

Please submit your response via email to mrps@environment.gov.au before close of business on 28 October 2016. Responses submitted after 28 October may not be considered when determining the final design of mandatory reporting.

The Department aims to advise all respondents to the Consultation Paper of the final design of mandatory reporting before the end of 2016.

Mandatory reporting commences on 1 January 2018.

Please send any questions to mrps@environment.gov.au. You can also call the Energy Security Office on 02 6275 9740.

Directions:

The questions in the Consultation Paper have been combined into six key questions.

Please enter your response in the white box for each key question, writing over the guidance notes provided. You can also delete the prompting questions.

Once you have finalised your comments, **please email your submission** as an attachment to the Department of the Environment and Energy at mrps@environment.gov.au.

Introduction

I am a chemical engineer who has extended his technical knowledge to cover business systems, process improvement and performance measurement. Through numerous consulting engagements with PriceWaterhouseCoopers, Ernst & Young, IBM and as an independent consultant I have developed significant experience in large scale projects and the strategic development of the IS&T function to support business improvement.

This working knowledge of the industry started at the integrated facilities of BP in Grangemouth, Scotland (now Innovene). My knowledge was extended into the upstream business through employment in a specialist consultancy, Petroleum Experts, who provided software and services for well design and reservoir analysis. The company specialized in the understanding and interpretation of complex fields including condensate applications and complex reservoir support or geological structures.

Whilst consulting I have developed an extremely strong body of knowledge across a broad range of resources companies including Oil & Gas, LNG, Refining, Petrochemicals, Alumina, Platinum, Nickel, Copper, Gold, Iron Ore and Inorganic chemicals. I have worked across most levels of these businesses from the development of resource modelling tools to consulting in the business, including sales and shipping. As such I bring a strong skill set with understanding of the business and technical process at all levels of the business.

My last three consulting engagements have been with LNG producers in Australia, both conventional and un conventional, and the implementation of their production allocation and reporting systems. Through these engagements I have experience of the reporting obligations for NOPTA, Tax, PRRT, Royalty, NGERs and NPI.

The public consultation paper on mandatory reporting of petroleum statistics provides an excellent opportunity to improve the quality and integrity of data collected to cover the IEA obligations to which Australia has agreed. There is also the opportunity to streamline the various reporting routes to the numerous government agencies. This data sharing would reduce the obligation upon the reporting companies as well as provide data integrity for all the granular and aggregated data provided to the government. Through the use of an aggregator as an intermediary the security and confidentiality of the data can be maintained. This service would provide a single destination for reporting companies and source for government agencies.

Key Question 1: How do you use the Australian Petroleum Statistics?

Guidance Notes:

The Department of the Environment and Energy is keen to understand how and why different organisations, companies and individuals use (or do not use) the Australian Petroleum Statistics (APS) and how the statistics could be improved.

In your answer, please identify each specific use you make of APS data and statistics. If there is any information which is *essential* to your operations, please highlight this in your response and explain why it is important.

If you do not use the APS, please explain why in your response and if any changes would make the statistics more relevant for you.

If there is any data you would like to be included in the APS Report which is not currently reported or collected, please identify this in your response.

Prompting Questions:

Question 1: How do you use the APS Report?

The information is used when evaluating production capability and effectiveness as well as when assessing alternative fuels or performing lifecycle analysis on particular products.

Question 14: Should any additional information be collected and published under mandatory reporting?

The mandatory reporting should be as comprehensive and complete as possible. A large amount of time is spent checking consistency of voluntary data and developing data for information that is missing or incomplete.

Key Question 2: The Design Principles and Options

Guidance Notes:

The Department is interested in stakeholders' views as to the best approach to designing mandatory reporting.

The Consultation Paper sets out four 'design principles' for mandatory reporting, of:

- a. Capture relevant petroleum data accurately, in a timely way and with a high degree of reliability.
- b. Enable Australia to meet all its IEA reporting requirements and other international obligations.
- c. Minimise the reporting burden on industry.
- d. Minimise the disruption to existing reporters and users.

Do you agree with these principles? Is there any other consideration you think should be added?

The Consultation Paper applies the design principles to develop four options for mandatory reporting, being:

- Option A: Conversion from Voluntary to Mandatory Reporting without Change
- Option B: Maximised Data-Sharing Supplemented by Mandatory Reporting
- Option C: Mandatory Reporting for Stocks Only
- Option D: Comprehensive Mandatory Reporting

Please indicate which option (or alternative) you support and why. Each option emphasises different elements of the design principles and would have positive and negative outcomes for users and reporters. If you support an alternative approach, please explain this alternative.

Prompting Questions:

Question 2: As a general principle, which option do you prefer?

The Option B and D would represent the most effective solution in combination. Data is reported internally at most companies for NGERS, NPI, Tax, PRRT, Royalty and for production facilities to NOPTA. All companies have to generate this data monthly as part of their internal reporting, in many cases this data is now generated on a daily basis. There is little in the way of consistency checking amongst the various consumers since the information is provided by departments that seldom have any process knowledge of the information that is being shared.

This approach also leads to the potential of information being mis reported, either over or under, by the various consumers. A comprehensive system that works on sound engineering principles, usually mass, can be used to derive the various properties that must be reported. Such an approach would represent the most consistent reporting across companies. For instance butane reported from petrochemical and LNG production facilities would have the same energy when calculated for standard conditions (so 15 degrees Centigrade and 101.325 kPa in Australia).

As illustrated with the above example the break down of reported products to their chemical compounds (for lighter products) would result in a more consistent data set serving a wider audience.

Question 10: Do you support mandatory reporting for non-IEA counted stock such as stock on water or should this reporting remain voluntary?

In the interest of data sharing amongst various government agencies all associated production fluids would provide the most comprehensive data set that can be shared with various federal and state agencies.

Question 14: Should any additional information be collected and published under mandatory reporting?

As described in the previous questions the mandatory information should cover the full data set required from the various agencies including NGERS, NPI, Tax, PRRT, Royalty and for production facilities to NOPTA.

Question 17: Do you consider the current reporting boundaries for production, refining, stocks, sales, imports, exports and prices appropriate?

Yes, if it includes gas and associated products, NGL, LNG and domestic gas (pipeline linepack and from storage facilities). Presumably it would also include the sometimes significant stocks held by large fuel consumers, such as mining and rail companies.

Question 18: Do you agree with maintaining a parallel voluntary collection methodology for gas statistics not covered by mandatory reporting?

Mandatory reporting should be mandatory for all products. Australia is now a major world gas producer with large shipments of LNG and other gas products leaving daily. Mandatory reporting of the domestic gas network and storage facilities would also aid transparency in the industry for both producers and consumers.

Key Question 3: Who Should Report?

Guidance Notes:

The Consultation Paper proposes that reporting be the responsibility of owners of relevant petroleum products or petroleum substitutes (e.g. biofuel). Do you agree with this approach? Are there any circumstances where it will be difficult to identify the owner or more appropriate to require another entity to report?

The Consultation Paper also proposes a minimum reporting threshold to exclude small operations from mandatory reporting, such as teams importing petroleum for the Australian Grand Prix or exploration by companies undertaking small-scale test drilling. The Consultation Paper identifies two options of a volume threshold (3,000 tonnes) or a criterion test (holding an excise license). Do you agree with the need for a threshold and what do you think is the appropriate threshold test?

The Consultation Paper also proposes that third parties be allowed to report on owners' behalf. This would mean that any party could submit a monthly report, but the owner would be responsible for errors or non-submission. Do you agree with this approach and if so, should any restrictions be placed on who can submit a report on behalf of an owner?

The Consultation Paper asks if 'direct importers' (companies directly importing petroleum from overseas for their own use, e.g. in mining or refining) or 'major consumers' (companies using very large amounts of petroleum purchased from Australian suppliers) should be required to report their stock levels (under Option A, B, C or D) and/or import volumes (under Option D for direct importers only). Do you support expanding the obligation to direct importers? What about major consumers? Should any exemptions or conditions apply?

Prompting Questions:

Question 3: Do you support applying the reporting obligation to the owner of petroleum?

The reporting obligation should be on the operator as listed in the safety case or production license for the facility, refinery or petrochemical plant.

Question 4: Are there any reasons why direct importers (or a subset of direct importers) should be excluded from mandatory reporting?

No, rail, mining and large agricultural producers have vast stocks of fuels.

Question 5: Do you agree with the need for a threshold and the proposed level?

There should be no voluntary threshold, most facilities must produce in significant quantities to be viable as a supplier and a business. It might be appropriate to grant exemption upon application.

Question 9: Do you support excluding major petroleum consumers who do not import petroleum directly from the obligation to report end-of-month stock levels?

No, all stocks should be considered. Together with the source and destination company and location this will allow double counting to be prevented.

Key Question 4: What Data Should Be Reported?

Guidance Notes:

The Department is interested in stakeholders' views about what products and types of activity should be covered by the mandatory reporting obligation.

There are two key elements to this question:

1. What *types of petroleum products and substitutes* should be covered by mandatory reporting?

For example, the Consultation Paper asks if biofuels should be covered by mandatory reporting.

2. What *types of activity* (e.g. producing, refining, etc.) should it be mandatory to report on?

For example, the Consultation Paper proposes that production, refining (including recycling), sales, end of month stockholdings and possibly (Option D) importing and exporting be reportable activities. It also asks whether 'stocks on water' should be covered by mandatory reporting as a subset of end of month stocks.

In developing your response, it may be useful to split both activities and products into three categories:

- Those that should be covered by mandatory reporting
- Those that should be reported, but on a voluntary basis; and
- Those that should not be reported at all.

It may help your response to look at the IEA reporting requirements set out in Box 2 of the Consultation Paper and the reporting categories in Appendix B1-B4.

The issue of Category K stocks is raised in the paper (see paragraph 65). Importers are encouraged to note in their response if they commonly hold stock outside Australia that is definitely designated for import into Australia.

Prompting Questions:

Question 7: Should mandatory reporting cover oil-recycling process?

With an increased focus on sustainability there will be an increase in recycling processes, so this should be reported.

Question 10: Do you support mandatory reporting for non-IEA counted stock such as stock on water or should this reporting remain voluntary?

All reporting should be mandatory. Various systems are in place in most organisations to collect and maintain this information for other purposes such as environmental obligations. The inclusion of this information will result in a more complete data set that will minimise the number of reporting requirements for companies.

Question 11: Do you support the existing approach to measuring consumption/sales?

No, with a small amount of additional information, possibly of use to other government agencies, there will be sufficient information to remove any opportunity for double counting statistics.

Question 12: Do you support replacing sales with the use of excise and customs data held by the ATO.

As described in question 11 if this information is provided to an aggregated data base there will be no conflicts of interest and there will be sufficient information to eliminate double reporting.

Question 13: Do you support including imports and exports in mandatory reporting?

Comprehensive mandatory reporting would improve the data set and provide the source of information for other government agencies such as the ATO. It will also enable consistency checking across the reported data to significantly increase data integrity.

Question 14: Should any additional information be collected and published under mandatory reporting?

Over and above that currently required by other agencies for mandatory reporting, no.

Question 15: Do you consider the current reporting boundaries for production, refining, stocks, sales, imports, exports and prices appropriate?

The Mandatory reporting data set should look to other countries to improve the data set, such as the UK, Norway, the state of Alberta in Canada and the US. This may extend the boundaries of the mandatory reporting requirements. Consultation with other Australian government agencies would also lead to a consistent, single source, significantly reducing the burden on both the reported and consuming government agency.

Question 18: Do you agree with maintaining a parallel voluntary collection methodology for gas statistics not covered by mandatory reporting?

Gas statistics should be mandatory and reported in the same framework. A shorter timeframe may be required to collect all the information required by various agencies. For instance domestic gas is bought and sold on a daily basis.

Question 19: Do you support including biofuels (ethanol, biodiesel, biojet kerosene, etc.) as a product category covered by mandatory reporting?

As described previously alternative and recycle products will significantly increase in coming years. It should also be extended to novel production techniques such as Shells jet fuel produced directly from gas using the Fischer-Tropsch process (Pearl GTL Qatar).

Key Question 5: How Should Data Be Reported?

Guidance Notes:

There are again two elements to this question.

1. How should businesses categorise (i.e. divide and classify) the data they report; and how should this information be published (if at all) in the Australian Petroleum Statistics Report?

The Consultation Paper asks stakeholders whether they support changing the existing reporting categories (see Attachment B1-B4), and if so, what categories should be added or removed? In answering this question, stakeholders may find it helpful to focus on the questions of:

- For users, what data do you want? (see Key Question 1)
- For potential reporters, what data can you provide? For example, are there existing reporting categories that you cannot currently report on (see Attachment B2)? If

you would need to change your internal processes to categorise data in line with the requirements of the APS, please note this in your response.

Confidentiality of commercially sensitive information will be a key consideration in determining what data is published in the APS Report. For further information, see Box 1 of the Consultation Paper.

2. How should the actual mechanics of monthly reporting work?

The Consultation Paper makes a number of proposals for how monthly data should be provided to the Department, including the format, timing and submission process for reports. If any element of these proposals would cause problems for your business, please identify this in your response and what alternative you would prefer.

The Department is also interested in reporters' views on how to improve the guidance notes and administration of the reporting system. If you have any suggestions on possible improvements, please note this in your response.

Prompting Questions

Question 16: Do you consider the current reporting categories appropriate for the APS Report?

No, with extension they will support data sharing across a wider group of government agencies. This can be through an aggregator as an intermediary to ensure that the relevant data is sent through to the government agency with the appropriate aggregation to satisfy security and privacy concerns.

Question 17: Should the timing requirements for certain information change?

Yes, the inclusion of domestic gas line stocks and in storage facilities may require reporting on a smaller timeframe. With a larger number of facilities producing allocated data on a daily basis it would provide agencies such as NOPTA and NOPSEMA with information relevant to the more frequent meetings that take place. It could also be extended to the support for fire and emergency services should there be any incidents at processing facilities.

Question 18: Do you agree with maintaining a parallel voluntary collection methodology for gas statistics not covered by mandatory reporting?

No it should be included in the mandatory reporting

Question 20: Do you support the mandatory use of a template as outlined above?

Mandatory templates should be in place, however, it may be more appropriate to use an industry standard nomenclature such as the PRODML schema for reporting of production through XML templates. Similar systems and schemas exist for other industries such as banking. This would also reduce the burden upon any aggregator when sending or receiving information.

Question 21: Are there aspects of the APS Report reporting requirements or guidance notes that should be revised in the transition to a mandatory reporting regime?

It would be appropriate to consider the requirements of other agencies, both federal and state to ensure that there is a consistent data set with data integrity being used by all agencies, whether for tax, EIA obligations or NGERS reporting.

Question 22: Will an email submission process create any difficulties for your company?

For most companies email is not considered a secure method of transmission for such sensitive data. Files produced to the PRODML requirements could be securely exchanged through an encryption process. This would deliver a secure method for companies to report directly to an aggregator ensuring that it cannot be intercepted or decrypted during the process. A similar approach would be expected for information being sent to the various government agencies.

Question 23: Do you foresee any problems for your company with meeting the proposed reporting timeframe?

As mentioned earlier many have this information already on a daily basis to manage their supply chain.

Key Question 6: Data-Sharing

Guidance Notes:

The Department is interested in stakeholders' views on the appropriateness of data-sharing, which is a focus of discussion in the Consultation Paper.

To guide your response, it may be helpful to consider the following questions:

1. Do you support the use of data collected under other Australian Government programs to compile aspects of the Australian Petroleum Statistics?
2. Do you support the Department sharing data collected under Australian Petroleum Statistics with other agencies? If so, under what circumstances?
3. Do you support the specific proposals for data-sharing in the Consultation Paper, in particular:
 - The use of National Offshore Petroleum Titles Administrator data to determine offshore petroleum production and end of month stock levels?
 - The use of excise and customs data held by the Australian Taxation Office to measure of petroleum consumption (as an alternative to sales reporting), noting the issues with this approach raised in the paper (see Box 9)?

- The use of clearance and recycling data held by the Australian Taxation Office as a means of measuring consumption and recycling of oils.

In general, data-sharing involves a trade-off. The reporting burden for business is reduced, but *potentially* at the cost of reduced statistical detail and/or increased sharing of commercially sensitive information (strict controls on the access and use of shared data will be established).

Prompting Questions:

Question 6: Do you support using NOPTA offshore production figures to replace the need to report offshore data?

Yes, but I would suggest that the information being sent to an aggregator database/system at the frequency required by NOPTA using a secure process as described above. The information could then be supplied to NOPTA at the relevant granularity and through a separate transmission the information could easily be aggregated and used for mandatory reporting requirements.

Question 7: Should mandatory reporting cover oil-recycling process?

Yes, since this will become an ever increasing process within the product mix

Question 8: Do you support the sharing of data collected under mandatory reporting to reduce the regulatory burden associated with other reporting regimes?

Yes, since this will reduce the burden on government agencies as well as reporting companies.

Question 12: Do you support replacing sales reporting with the use of excise and customs data held by the ATO?

Yes, but through an aggregation service as described above

Free Text

Guidance Notes:

Please use this comment box to make any addition comments on the Consultation Paper not addressed elsewhere.