

**Consultation on the Annual Petroleum Safety Levy
Respondent Meeting
PSE Kinsale Energy
Tuesday, August 14th 2012**

Location: CER Offices
Time: 14.00

Attended by: Fergal Murphy Kinsale Energy
Tom O'Shea Kinsale Energy
Paul McGowan CER
Eamonn Murtagh CER
Róisín Cullinan CER

Minutes:

1. Introduction

- The meeting was opened by CER and attendees were introduced.

2. Discussion on Kinsale Energy Response to Consultation Paper:

A number of points relating to the letter accompanying the Kinsale Energy submission were discussed, including:

- **Level of costs – Set up**

Kinsale Energy (KE) stated that it does not agree with the CER proposal to recover the set up costs for the PSF. This has not been done elsewhere.

KE stated that the costs quoted in the Consultation Paper appeared to be very high and infer a significant number of man hours over the course of the set up of the PSF.

Although recognising the extent of the progress of the PSF development to date, KE requested that reconsideration be given to the CER's overall approach to the Framework design. It was stated that the CER should look to model the Framework on existing regulatory models to avoid incurring further costs by unnecessarily going back to first principles.

CER response

Under the Act the CER can recover costs incurred in the set up and implementation of the Act from industry via the Annual Petroleum Safety Levy. Set up costs have been recovered previously by the CER with respect to other statutory functions

The CER stated that the PSF Implementation Project is a complex project requiring a significant amount of regulatory, legal and technical input. The degree of consultation inbuilt into the Project also incurs a large degree of costs. These

factors make up the estimated costs set out in the Consultation Paper for the set up costs.

- **Level of costs – Operational**

KE stated that the operational costs stated in the Consultation Paper are high and are disproportionate to the scale of the industry in Ireland which it will be regulating.

KE requested transparency with regard to the set-up and operational costs. KE suggested the use of existing HSA staff within the PSF. Clarity was sought on the impact of safety case fees on the Levy.

KE stated that costs should be proportionate to the regulatory burden imposed and should be calculated based on an assessment of the regulatory requirements for the year ahead of each specific petroleum undertaking.

CER response

Regardless of the scale of the industry, a 'critical mass' of expertise is required by a safety regulatory body to effectively carry out its functions. The CER aims to develop a petroleum safety team consisting of a mix of in-house staff as well as outsourced positions. While there are advantages to developing a fully in-house team, this is not practical for Ireland given the size of the industry. To date the CER has outsourced technical roles for the PSF development to keep costs down during this stage.

With regard to Safety Case fees (consultation paper due in 2013), where CER staff are allocated to a safety case assessment, their associated costs will be charged to the petroleum undertaking requesting a safety case assessment. Consequently the Levy for that period will be reduced accordingly.

- **Cost recovery**

KE stated that operational costs should be recovered in a different manner to the set up costs.

KE stated that petroleum undertakings not imposing a regulatory burden should not be subject to the Levy. This includes: petroleum prospecting licence holders; lease options holders; and exploration licence option holders. Levy should only apply to petroleum lease holders and exploration licence holders.

KE stated a preference for apportioning the set up costs by reserves remaining. KE also suggested lengthening the recovery time for the PSF set up costs to 10 years. KE stated that recovering the PSF set-up costs over a short period would be unfair and discriminatory against existing authorization holders, as future authorization holders would not contribute to the set-up costs in that instance but would benefit from the PSF regime.

KE proposed an alternative option for apportioning the set up costs based on the proportion of reserves recoverable by each undertaking as a proportion of the estimated total reserves recoverable in Ireland over a 10 year period (timeline as proposed above for the repayment of the set up costs) This option is set out further in the KE formal submission.

3. Closing

The CER noted that the Draft Decision Paper is due for publication late September/early October.