Draft Decision Paper Petroleum Safety Levy
Respondent Meeting
PSE Kinsale Energy
Thursday Dec 13th 2012

Location: CER Offices
Time: 11.00

Attended by:	Fergal Murphy	Kinsale Energy
	Mike Murray	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 the Decision Paper:*

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

- **Establishment Costs and claw back**
  Kinsale Energy stated that the industry should not be required to align with the CERs financing terms and conditions for the PSF, specifically the requirement to repay the Establishment Costs (EC) by 2016. It stated that this requirement is not reasonable or fair and that the CER should refinance over a longer period.

  Kinsale Energy stated that the claw back was not a true claw back as it is proposed that monies recovered from future petroleum undertakings would be credited to a future levy bill of the original payees and not directly repaid.

  Kinsale Energy stated that the use of Recoverable Reserves Remaining is its preferred EC Levy apportionment option. It stated that reserves information could be kept confidential between individual undertakings and the CER so long as reserve estimates based on POD submissions and Annual Lease Returns to the PAD were used. Apportioning the EC based on historical and future CapEx as an alternative to the proposed combination of infrastructure and remaining reserves was also proposed. Kinsale Energy stated that basing the EC on years remaining would not be valid as this was a very poor proxy as to the value of the infrastructure or the burden it imposed on the PSF, nor would it be possible to accurately predict years remaining.

Kinsale Energy requested further information on the level of levy contribution of well work towards the EC.

CER response – The CER acknowledges the impact of the three year repayment period for the EC on the industry. However, the CER is not in a position to amend its financial arrangements and it must recover its costs through the Levy for the EC by 2016. The CER stated that it does have flexibility or the claw back mechanism and repayment period.

The CER will take the point in relation to the repayment of the claw back monies into consideration in the development of its Decision Paper.

The CER noted that other options including production rates and years remaining had been proposed for apportioning the EC and that all options will be considered for the Decision Paper.

The CER stated that petroleum undertakings carrying out well work will be charged a flat fee towards the EC levy.

Kinsale Energy reiterated that it does not accept the three year EC repayment timeline and will continue to seek to have this amended.

- **Operational Costs**

  Kinsale Energy questioned the impact of Safety Case Fees (SCF) on the CER Operational Costs (OC) and stated that they are currently not in a position to determine the OC they will be required to pay without further information on the SCF. They also requested clarity relating to operational costs associated with exploration activities.

  Kinsale Energy requested clarity on the infrastructure referenced in the paper and on the weightings proposed.

  CER response – The CER will provide more clarity in the Decision Paper regarding what is covered by the infrastructure types and the reasoning behind the weightings proposed in its Draft Decision Response Paper.

  The CER stated that the consultation on the Safety Case Fees will follow the Decision Paper on the Petroleum Safety Levy early in 2013. It noted that the current consultation is on the Petroleum Safety Levy methodology and not the level of costs. The SCF cannot be determined prior to the Safety Case Guidelines consultation process closing. This is scheduled for early 2013.

  The CER stated that OCs for 2013 will only be incurred from November 2013. It is also expected that the PSF team will be engaged in SCF work for a significant portion of 2014.

  The CER stated that, theoretically, if all staff time was taken up by SCF work in a levy year then the OC would be zero.

  Further clarity will be provided on the costs associated with exploration activities in the Decision Paper.

- **Level of costs/time lines**
  Kinsale Energy requested a full and transparent breakdown of the Levy costs.

  Kinsale Energy stated that the CER cannot impose the Levy until it is in a position to discharge all of its functions.

  Kinsale Energy stated its preference for extending the claw back period from ten years.

  CER response – The CER is required under the Act to separate the petroleum safety costs in its financial reports. The costs associated with the PSF will be set out in the CER annual accounts which are audited annually. The CER will give consideration to providing a further breakdown of costs.

  Under the Act the CER can recover costs reasonably incurred in the discharge of its functions. The CER has a function to establish and implement a petroleum safety framework. Therefore the CER can levy for these costs early 2013 as set out in the Draft Decision Paper.

  The CER will give consideration to extending the claw back period.

- **Other**
  Kinsale Energy referred to their submission question regarding the requirement for a well safety case for their existing wells.

  CER response – The CER stated that a wells work safety permit will be required for the existing wells.

3. *Closing*
   The CER noted that the Decision Paper is due for publication late January 2013.