



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## **Contribution of Well Work Activities to Petroleum Safety Framework Establishment Costs**

### **Part of the Petroleum Safety Levy Methodology**

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## Glossary of Terms

Term	Definition or Meaning
<b>(the) Act</b>	The Electricity Regulation Act 1999 as amended, inter alia, by the Petroleum (Exploration and Extraction) Safety Act 2010.
<b>Establishment Costs</b>	The costs incurred by the CER in the establishment of the Framework.
<b>Framework</b>	The Petroleum Safety Framework established under Section 13I of the Act which comprises the collection of regulations, written regulatory documents and procedures which, taken together, describe the system the CER uses to regulate the activities of petroleum undertakings with respect to safety.
<b>High Level Design</b>	The High Level Design of the Petroleum Safety Framework as amended by the CER from time to time.
<b>Operational Costs</b>	The costs incurred by the CER in the discharge of its function under the Act, excluding Safety Case Fees.
<b>Safety Case Fees</b>	The costs incurred by the CER in the assessment of a safety case, or a revised safety case and the costs associated with determining the conditions relating to the issue of a safety permit or the refusal to issue a safety permit under Section 13R of the Act.
<b>Well Work Activity</b>	An activity that requires a safety permit in accordance with the <i>Petroleum Safety (Designation of Certain Classes of Petroleum Activity) Regulations 2013, (S.I. No. 89 of 2013)</i> with respect to well work.

# 1 Introduction

## 1.1 Background

The *Electricity Regulation Act 1999*, as amended *inter alia* by the *Petroleum (Exploration and Extraction) Safety Act 2010* (the Act) gives the Commission for Energy Regulation (CER) responsibility for the safety regulation of petroleum exploration and extraction activities in Ireland, including specifically a requirement for the CER to “establish and implement a risk-based petroleum safety framework” (collectively referred to in this document as the ‘Framework’). The Framework is the entire system that the CER will use to regulate the safety of petroleum activities, and in particular designated petroleum activities, carried out by petroleum undertakings. The Framework established by the Act is risk-based, recognising that hazards may be presented by the activities to be regulated and it requires petroleum undertakings<sup>1</sup> to reduce risks to a level that is as low as is reasonably practicable (ALARP).

The CER *Decision Paper on the High Level Design of the Petroleum Safety Framework – Version 2* (the ‘[High Level Design – Version 2](#)’) sets out, at a high level, how the Framework operates. Section 13 of the [High Level Design – Version 2](#), which deals with the regulatory recovery of costs under the Framework, states:

*“Paragraph 16 of Schedule 1 of the Act enables the CER to impose an annual levy order on petroleum undertakings for the purposes of meeting its expenses.*

*The CER has set out the methodology to determine the Petroleum Safety Levy for the recovery of Operational and Establishment Costs of the Framework in the Petroleum Safety Levy Methodology Decision.”*

In February 2013 following a public consultation process, the CER published the *Petroleum Safety Levy Methodology Decision Paper*<sup>2</sup> (the ‘Levy Paper’), which sets out the methodology to determine the Petroleum Safety Levy (the ‘Levy’) for the recovery of Operational and Establishment Costs of the Framework. In April 2013 the Levy Paper was updated to reflect the publication of the first levy order. The second levy order was published in December 2013

## 1.2 Purpose of this document

During the development of the Levy Paper the CER deemed it appropriate that petroleum undertakings carrying out Well Work Activities should contribute to the Establishment Costs of the Framework. Consequently the Levy Paper stated:

*“Petroleum undertakings carrying out Well Work Activities with an approved well work safety case will be required to contribute towards the Establishment Costs. The level of contribution will be proportionate to their Safety Case Fee paid in respect of the Well Work but recovered via this Levy.”*

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<sup>1</sup> As defined in Section 13A(1) of the Act

<sup>2</sup> CER 13/104

Associated with this, the *Electricity Regulation Act 1999 (Petroleum Safety) Levy Order (No. 2) 2013*<sup>3</sup> stated:

*“Relevant Undertakings who will hold an approved well work safety case during 2014 will be levied in 2015.”*

In May of 2014 the CER published a consultation paper on this aspect of the Levy development which set out proposals for how petroleum undertakings carrying out Well Work Activity would contribute to Establishment Costs via the Levy. This response paper sets out the response received.

The Levy Paper is updated and published alongside this response paper to reflect the updated Levy methodology. This paper should be read in conjunction with the Levy Paper. Further information on the Levy, including who it applies to, can be found in the Levy Paper (Version 3.0).

The response received is also published alongside this response paper.

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<sup>3</sup> S.I. 479 of 2013

## 2 Response received and next steps

### 2.1 Response from Irish Offshore Operators Authority

The CER consultation paper on the contribution of well work activities to the Framework received one response. This response was from the Irish Offshore Operators Authority (IOOA). It states:

*“1. Levy Methodology*

*IOOA consider that Option 1 (calendar year basis) is the preferred option, on the basis of simplicity and fairness. We do not favour linking the levy calculation to a weather window as this may result in higher costs even for short duration wells.*

*2. Claw-back facility*

*IOOA note the proposal to only reimburse petroleum undertakings involved in production activities, on the basis that the amount to be reimbursed from Well Work Contributions will be negligible in the period 2013 - 2016.*

*IOOA concur with this approach as long as the number of wells to be charged in the period 2013 – 2016 remains low. IOOA would however request that CER revisits this decision in the event that there is a significant increase in drilling activity in the years 2015 -2016.”*

### 2.2 CER response

Option 1: ‘Number of days the rig is on location in a calendar year proportional to the final safety case fee’ has been adopted. This is reflected in the update to the Levy Paper published alongside this response paper.

The CER takes on board the IOOA request to revisit this decision. The CER will review this decision should changes in the activity in the petroleum sector in Ireland deem is reasonable to modify this approach.

### 3 Next Steps

An update to the Levy Paper is published alongside this response paper to reflect the outcome of this consultation process.

As per the 2014 levy order (S.I. 479 2013): “*Relevant Undertakings who will hold an approved well work safety case during 2014 will be levied in 2015.*” The methodology set out in the updated Levy Paper (version 3.0), as decided upon via this consultation process, will be used to determine the levy amount due for well work activities carried out in 2014.

All contributions to the Establishment Costs will be accounted for in the levy year following the completion of the well work.