

CABINET - SUBJECTS FOR CONSIDERATION, 4 March 1991

CABINET	SUBJECT	DOCKET
<div data-bbox="1041 598 1220 630" data-label="Text"> <p>Not Relevant</p> </div>		
No. V. LATE 10.1 Decision	Cooper Basin Royalties. APPROVED	D.M.E. SR28/1/6
<div data-bbox="1052 1300 1232 1332" data-label="Text"> <p>Not Relevant</p> </div>		

10-1

MINUTES forming ENCLOSURE to

SR 28/1/6

RAE:HG

FOR ENQUIRIES REFER	1 March 1991
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Phone:	

CONFIDENTIAL

TO THE PREMIER FOR CABINET:

RE: Cooper Basin Royalties

1. Proposal

Approval is sought to legislate a new Cooper Basin royalty regime which will significantly increase royalty revenues. This regime has been conceded by all except one of the Producers in negotiations with the Royalties Task Force.

2. Background

2.1 On 10/12/90 Cabinet:

- approved negotiation of a Cooper Basin royalty regime aimed at returning 6.5% to 7.0% of the present value of future sale revenues (on a pre-Iraq war oil price scenario), to apply from 1/1/1991;
- endorsed the principle of a legislative route to achieve the Government royalty objective, in the event negotiations prove unsuccessful.

2.2 On 21/2/91 Cabinet:

- endorsed the royalty regime negotiated by the Royalty Task Force subject to the agreement of all producers.
- authorised the Minister of Mines and Energy to write to all producers indicating on a without prejudice basis, the Government's position as to the above.

3. Discussion

- 3.1 Since Cabinet approval of 21/2/91, attempts to obtain unanimous producer support to the proposal as offered by 10 of the 11 producers has failed with Delhi Petroleum Pty Ltd, which is 100% owned by ESSO, remaining the only dissenter.
- 3.2 However, Delhi has intimated that whilst it will not support or agree to the proposed regime, it will not actively oppose its introduction.
- 3.3 Accordingly it is proposed to proceed with the amendments to the Cooper Basin Indenture to implement the proposed regime, despite the refusal by Delhi to agree to the proposal.
- 3.4 Implementation of the new regime will require legislation to amend Clause 12 of the Indenture to the Cooper Basin (Ratification) Act, 1975 as set out in Attachment I. This will not be an amendment by agreement of all parties, but by only ten of the eleven producers.
- 3.5 It is also proposed that the new royalty regime apply to the Cooper Basin licences outside of the Indenture area. Until amendments are affected to the Petroleum Act which will enable me to enter into agreements with the producers, this may be effected by administrative guidelines.
- 3.6 This submission has been prepared in consultation with the Crown Solicitors office. It is proposed that consultation with Santos on implementation matters follow immediately after Cabinet approval of this submission is received.
- 3.7 No staffing or cost implications are involved.

4. Recommendation

It is recommended that:

- 1) Cabinet authorise me to write to the producers accepting the proposed royalty regime, noting the absence of agreement by Delhi, this authorisation to supersede the Cabinet authorisation of 21/2/91 referred to at point 2 of paragraph 2.2 of this submission.

- 2) Cabinet approve the introduction of a Bill to amend the Cooper Basin (Ratification) Act, 1975 to give affect to the royalty regime set out on Attachment I.

.4.13.191



JOHN KLUNDER
MINISTER OF MINES AND ENERGY

Draft Bill

Act to amend the Cooper Basin (Ratification) Act, 1975

15 pages removed

Exempt clause 10(1) – legal professional privilege