



Offshore  
Infrastructure  
Regulator

# Financial security for offshore renewables

May 2024



The Offshore Infrastructure Regulator (OIR) has prepared this document to provide preliminary information to stakeholders on financial security under the Offshore Electricity Infrastructure Act 2021 (OEI Act) framework. Persons using this document should be aware that information contained in this document will be subject to change following the finalisation of the Offshore Electricity Amendment Regulations 2024.

# Financial security for licence activities

The *Offshore Electricity Infrastructure Act 2021* (OEI Act) requires all licence holders to have an approved management plan in place and to provide appropriate financial security to the Commonwealth before any offshore renewable energy infrastructure or offshore electricity transmission infrastructure can be installed.

The amount of financial security must be sufficient for the Commonwealth to pay any costs, expenses and liabilities that may arise in relation to decommissioning, removal of property and equipment, remediation of areas affected by activities carried out under the licence and reasonably foreseeable unplanned events.

Financial security is put in place to mitigate the risk of Australian taxpayers paying for decommissioning or other obligations in the event that the licence holder is unable or unwilling to do so.

Failing to provide the Commonwealth with the required financial security is an offence under the OEI Act.

## Calculating financial security

Licence holders are required to use an appropriate method to calculate financial security. The calculation method should factor in the greatest reasonably credible costs, expenses and liabilities that could be incurred by the Commonwealth.

Consideration must be given to the full scope of costs, expenses and liabilities under the OEI Act and any other requirements, including any obligations under the *Environment Protection and Biodiversity Conservation Act 1999* that relate to decommissioning, removal and remediation. The calculation of financial security must be relevant to the specific activities and risks as described in the licence holder's management plan.

The calculation method may include using basic bottom-up costing, use of suitable cost estimation tools available in the public domain, or licence holders may choose to create new calculation tools independently or in cooperation with other licence holders.

For any calculation method selected, the licence holder will be required to demonstrate in the management plan that the method is suitable, robust and will result in amounts that reflect the greatest reasonably credible costs to the Commonwealth. Complex calculation methods may require verification by an independent and competent third party.

Securities provided under the OEI Act framework must be comprehensive but should also acknowledge and avoid overlap with other laws that may be relevant to the activities described in the management plan, such as insurance requirements for maritime activities.

## Forms of financial security

Licence holders may provide financial security sufficient for the calculated amount by providing a combination of financial instruments that are appropriate for the circumstances. Acceptable financial security arrangements may include:

- cash deposits paid to the Commonwealth
- cash deposits held by a financial institution
- credit facilities with financial institutions
- guarantees from a financial institution
- insurance policies with financial institutions.

Licence holders may also propose other financial security arrangements however any security must enable the Commonwealth to recover amounts as needed.

An arrangement will not be accepted if it does not limit the ability of persons other than the Commonwealth to access the security. Financial arrangements that are not acceptable include:

- self-insurance
- an arrangement under which the Commonwealth is a beneficiary of a trust or
- a guarantee provided by a related body corporate of the licence holder.

A licence holder's management plan must demonstrate that the forms of security will be appropriate for the types of costs and expenses intended to be covered.

For example, while an insurance policy may be an acceptable form of security to mitigate certain risks relating to unplanned events, it will not be an acceptable security for planned decommissioning activities.

## Timetable for providing financial security

If financial security is required at different times due to the phasing of development and construction activities for example, the management plan must include information that ensures financial security relating to particular licence infrastructure will be provided before that infrastructure is constructed or installed in the licence area.

Financial security must be maintained for the life of the licence and will be adjusted to suit the changing profile of the activity over time, as set out in the management plan.

The financial security arrangements and the timing of securities will vary and will be assessed by the Offshore Infrastructure Regulator (OIR) on a case-by-case basis.

## Approvals

Through the management plan approval process, the OIR will assess the adequacy of the calculation method, amounts estimated, forms of security proposed and the timetable against which that security will be provided.

The Minister may make a determination about the forms of financial security that are required. Licence holder's financial security arrangements must comply with any such determinations.

When the licence holder has demonstrated to the OIR, through the management plan, that the proposed arrangements will address all regulatory requirements, the OIR will provide advice to the Commonwealth about the proposed arrangements.

The OIR does not have a role in receiving or holding securities or entering into agreements on behalf of the Commonwealth. The licence holder must engage with the Commonwealth representative to provide securities to the satisfaction of the representative.

## Commonwealth use of financial security

If the Commonwealth or OIR incur costs, expenses or liabilities in relation to a licence as a result of an act or omission of a licence holder, or are owed a debt, these may be recovered from financial securities.

Compensation to other parties or claims for loss or damage resulting from planned or unplanned activities of the licence holder are not able to be recovered from financial securities.

## Release of financial security

If no further costs, expenses or liabilities are likely to arise in relation to licence infrastructure or activities, financial securities may no longer be required. Similarly, if amounts of securities held exceed the amounts required it may be appropriate to allow the licence holder to reduce the securities accordingly.

Any determinations regarding the reduction or release of securities will be a matter for the Minister, informed by relevant information (including advice from the OIR) regarding the licence holder's compliance with requirements and obligations.



## Offshore Infrastructure Regulator

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