Oil and Gas Must Pay to Clean Up Their Own Mess

Crossbench MPs have called on the government to ensure that the corporations who develop and benefit from offshore oil and gas, also cover the costs of the clean up when the projects end.

Australia faces up to $60 billion in offshore oil and gas decommissioning and clean up over the next 30 to 50 years. The companies that profited are obligated to pay for it. The rules meant to guarantee that are complicated and vulnerable to gaming. And the backstop to protect taxpayers depends on the future revenues of an industry that is shrinking.

On Friday, a Federal Court found that the regulator, NOPSEMA, is not required to be satisfied that a producer can afford to meet its decommissioning obligations. A company can distribute profits over decades of production without ever showing it has the money to clean up afterwards.

The risk is not theoretical. Last month, Pilot Energy entered administration, leaving the $200 million decommissioning of the Cliff Head oil platform in question.

And it is not new. When Northern Oil and Gas Australia entered administration in 2019, the Commonwealth was left with a multi-billion-dollar clean-up. The Government responded with trailing liability rules and a levy on the rest of the industry. The 2020 Walker Review recommended titleholders provide financial surety for decommissioning liabilities. It has not yet happened.

The Government says industry will pay. The mechanism it points to is the offshore petroleum cost recovery levy. But that levy is capped, temporary, and tied to one job: decommissioning the Northern Endeavour and remediating the Laminaria-Corallina fields. It cannot stretch to cover Cliff Head or the next collapse. It may be insufficient if costs exceed forecast. Expanding it would take new legislation.

Even then, a levy paid out of future production assumes there will be adequate future production. Relying on tomorrow's barrels to pay for yesterday's infrastructure is a bet, not a guarantee.

It’s also unfair to compliant companies. Under a levy, responsible operators pay twice – once for their own decommissioning, and again for their competitors’ failures.

In contrast, offshore wind developers must provide financial security to the Commonwealth covering decommissioning, removal and remediation, before construction begins. The discrepancy is stark.

In November 2025, the Department of Industry, Science and Resources released a consultation paper on offshore decommissioning and financial assurance foreshadowing further reform. It acknowledged that titleholders have financial incentives to delay clean-up, that costs are routinely underestimated, and that regulators lack enforcement mechanisms to ensure corporations have enough funds to decommission projects. Participants in the consultation anticipated new legislation early this year but progress has stalled.

In parliament this week, Allegra Spender asked the Minister for Resources when the Government will make companies put money aside to fully fund the clean-up of their projects.

Allegra Spender MP, Member for Wentworth:
"Renters are expected to pay a bond before they move in and a clean-up fee when then leave. Why are petroleum companies held to lower standards?

"Current settings create a moral hazard. There's a strong incentive to delay decommissioning and cleanup, including through future, speculative projects.

"We can't fund decommissioning liabilities with the future proceeds of a declining industry. The current levy was only ever designed to recover the cost of a single failure. It was never designed to prevent the next one. It's inadequate and leaves good operators paying twice.

"Gas and oil company levies and taxes should be paid to consolidated revenue as a fair return for the national resources they are taking, not to cover the irresponsible actions of producers who have left a mess to clean up."

Dr Monique Ryan MP, Member for Kooyong:
"Australians should not be left footing the bill to clean up mess left by oil, gas, and mining gas companies. These huge privately-owned companies have often generated enormous profit off the sale of our natural resources. They have to be required to fully fund the decommissioning of their facilities and the rehabilitation of environmental damage that they have caused."

Andrew Wilkie MP, Member for Clark:
"History shows that some companies will do everything in their power to avoid a clean-up and remediation at the end of their exploration and resource extraction phases. This must be prevented with the strongest possible legislative framework to ensure the environment and the taxpayer aren't kept swinging in the breeze when companies go broke or simply move on."

Nicolette Boele MP, Member for Bradfield:
"A thriving company takes responsibility for the full life of its operations. It doesn't just pay healthy dividends for 30 years - it should cover the cost of clean-up as well.

"It's unfair to businesses who do the right thing and have to pay twice – they pay to decommission their own operations and pay again for their failed competitor's clean up.

"Offshore wind developers already do this. They lodge the money with the Commonwealth before construction begins. All energy companies should meet the same standard."

Zali Steggall OAM, Member for Warringah:
"Companies that make billions extracting Australia's oil and gas should be responsible for cleaning up when their projects end. Australians can't be expected to foot the bill for decommissioning infrastructure that private companies built to make a profit.

Australia has seen fossil fuel companies avoid their liabilities – either by falling into liquidation or by selling assets to subsidiaries with no means to pay for remediation. Current government safeguards are not sufficient to protect taxpayers from the huge subsequent liabilities.

That's why I've long called for a permanent, industry-funded decommissioning fund, to ensure that polluting companies – not the Australian public – are forced to pay."

Senator Jacqui Lambie, Senator for Tasmania:
"If companies can't clean up after themselves, it's the taxpayer that has to foot the bill. They should have clean up cash in a trust account and that should be part of the approval process."

Kate Chaney MP, Member for Curtin:
"Every offshore well and platform in WA waters will eventually need to be decommissioned. These costs must be borne by the oil and gas companies. To ensure this, the Government must require these companies to maintain fully costed decommissioning plans and secure the funding to deliver them before production ends, so taxpayers are not left to foot the bill."

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