Equity Generation Lawyers

14 October 2026

Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

Attention:
Claire LaBouchardiere, Senior Executive Leader, Sustainability, Financial Reporting and Audit
Marita Hogan, Senior Executive Leader, Investigations
Mel Smith, Senior Manager, ESG & Greenwashing Enforcement
Ben Phillips, Senior Specialist, Sustainable Finance, Companies and Small Business
Shane Barbetti, Senior Specialist, Sustainability, Financial Reporting and Audit

Dear Ms LaBouchardiere, Ms Hogan, Ms Smith, Mr Phillips, and Mr Barbetti

Request for ASIC Guidance and Financial Reporting Review of Decommissioning Disclosures

1. We act for The Wilderness Society (**TWS**). TWS is an independent, not-for-profit organisation that seeks to protect, promote and restore wilderness and natural processes across Australia. TWS has a longstanding interest in the decommissioning of offshore petroleum infrastructure and the integrity of the financial reporting concerning decommissioning obligations.

2. Our client has reviewed the disclosures of decommissioning or "asset retirement" obligations in the latest financial reports of Australian listed oil and gas companies.[1] That review identified what our client considers to be widespread and material deficiencies in the disclosure of these obligations.[2]

[1] Our client reviewed the latest Annual Reports at the time of writing this letter of the following Australian oil and gas companies: **Amplitude** Energy Limited (ASX: AEL), **Beach** Energy Limited (ASX: BPT), **Beetaloo** Energy Australia Limited (ASX: BTL), **Cue** Energy Resources Limited (ASX: CUE), **Echelon** Resources Limited (ASX: ECH), **Horizon** Oil Limited (ASX: HZN), **Karoon** Energy Limited (ASX: KAR), **Santos** Limited (ASX: STO), **Strike** Energy Limited (ASX: STX) and **Woodside** Energy Group Limited (ASX: WDS). All of these companies are publicly listed, have a material number of assets in Australia, and decommissioning obligations. The overall selection captures both large and small companies in the sector.
[2] Decommissioning obligations are typically recorded in financial reports as "restoration" costs. This includes obligations to retire, remove and remediate infrastructure at the end of its productive life.

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3. In our client's view, these deficiencies raise concerns about compliance with the ***Corporations Act*** *2001* (Cth) and the Australian Accounting Standards, particularly the key standard that deals with provisions, **AASB 137** *Provisions, Contingent Liabilities and Contingent Assets*. Our client is also concerned that the audit work and reporting described in the auditors' reports raises questions as to whether the auditors adequately evaluated the related disclosures and obtained sufficient appropriate evidence to support significant assumptions underlying the provisions.

4. Our client requests that ASIC:

   (a) conduct and publish a thematic review of decommissioning disclosures across Australian listed oil and gas companies. This could be similar to the UK Financial Reporting Council's thematic review of IAS 37 (discussed at paragraph 9(g) below);[3]

   (b) issue regulatory guidance on the application of AASB 137 to decommissioning obligations, including the disclosures ASIC expects reporting entities to provide; and

   (c) where appropriate, pursue entity and auditor-specific regulatory action.

5. Our client also requests the opportunity to meet with ASIC to discuss the matters set out in this letter.

6. ASIC has identified decommissioning and site-restoration provisions as a financial reporting focus for FY 2026-27. Our client welcomes ASIC's stated commitment that it will review companies' disclosures against the updated Illustrative Example D of AASB 137 (**Illustrative Example D**),[4] and notes the addition of Illustrative Example IV-I to IFRS 18 *Presentation of Financial Statements*,[5] which are discussed further below at Appendix A. Most recently, ASIC reaffirmed its focus at Senate Estimates on 5 June 2026, noting that Australian company disclosure of decommissioning provisions has had "some difficulties

[3] Financial Reporting Council, *Thematic Review: IAS 37 'Provisions, Contingent Liabilities and Contingent Assets* (**IAS 37 Review**) (October 2021), available here.
[4] ASIC, *ASIC sets financial reporting, audit and sustainability focus areas for 2026-27* (18 May 2026), available here. Illustrative examples provide guidance for how companies can comply with accounting standards. Illustrative Example D (Disclosures) supplements AASB 137 and has been recently updated to include sub-Example 2A (Decommissioning and site-restoration obligations). See Australian Accounting Services Board, *AASB 2026-1 Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements* (January 2026), available here.
[5] See International Financial Reporting Standard, *Disclosures about Uncertainties in the Financial Statements* (November 2025), available here, pp 6-10. IFRS 18 will be operative from January 2027.

and inconsistencies in the past", and that the issue is of "importance … for investors and for the integrity of the market".[6]

7. With the recent updates to Illustrative Example D now operative for the current reporting period, and decommissioning disclosure among ASIC's FY 2026-27 focus areas, this is an opportune moment for ASIC to set clear market expectations and support consistent disclosure practice across the industry.

8. The first part of this letter provides a detailed justification for ASIC prioritising and taking meaningful action on this issue. The balance of the letter sets out our client's key concerns, which are intended to provide a robust evidence base for ASIC to use in its work on this topic.

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Significance of decommissioning disclosure issues

9. In our client's view, inadequate financial reporting of decommissioning obligations is a systemic issue of real significance. For the reasons set out below, it warrants urgent action by ASIC.

   (a) **Decommissioning liabilities are of macroeconomic significance.** In the Australian offshore oil and gas industry alone, decommissioning costs in Commonwealth waters are estimated at approximately AUD$43.6 billion in real terms through to 2070, or approximately AUD$66.8 billion by 2063 on an inflation-adjusted basis.[7]

[6] Senate Economics Legislation Committee, Parliament of Australia, *Estimates* (5 June 2026), available here, pp 7-9.
[7] Xodus, *Australian offshore oil and gas decommissioning liability estimate 2025* (**Decommissioning Liability Estimate Report**), available here, pp 5, 8, 23 and 32.

(b) **These liabilities are not an issue for the distant future.** 56% of Australia's offshore oil and gas infrastructure is estimated to be decommissioned before 2040, with the remaining decommissioning activities to largely occur by 2050.[8] Australia's looming decommissioning deadlines reflect the sector's expanding portfolio of ageing infrastructure, with more than half of Australia's offshore petroleum assets now over 20 years of age, and some exceeding 50 years of age.[9]

(c) **Decommissioning liabilities are material to investors.** Our client calculates that, for Amplitude, Beach and Santos, decommissioning liabilities represented approximately 85.1%, 30.3% and 26% of the companies' shareholder equity respectively.[10] These recognised decommissioning liabilities reflect the discounted present value; the estimated future cash flow payments required to settle the obligations are typically significantly higher. More generally, the decommissioning liabilities of the majority of oil and gas companies in Australia, the United Kingdom and Canada are estimated to represent more than 10% of shareholder equity.[11]

(d) **Decommissioning liabilities are routinely underestimated.** Estimated decommissioning costs may increase due to decommissioning projects becoming more technically complex, labour-intensive and capital intensive, as well as changes in regulatory requirements and the pace of the energy transition.[12] There is a pattern of underestimating decommissioning costs in Australia[13] and overseas.[14]

(e) **A range of stakeholders have consistently identified inadequate disclosure of decommissioning liabilities as an issue causing harm to investors,**

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[8] Decommissioning Liability Estimate Report, available here, p 38.
[9] Jess Melbourne-Thomas et al., *Decommissioning research needs for offshore oil and gas infrastructure in Australia* (2021), Frontiers in Marine Science 8(7), available here.
[10] See Amplitude, *2026 Annual Report*, available here, pp 113, 136; Beach, *2026 Annual Report*, available here, pp 100, 124; Santos, *2025 Annual Report*, available here, pp 192, 219.
[11] Carbon Tracker Initiative, *Asset Retirement Obligations: What Lies Beneath? Transparency Assessment Report* (**ARO Report**) (December 2025), available here, p 41.
[12] ARO Report, available here, p 9.
[13] See Australian Government Department of Industry, Sciences and Resources, *Offshore decommissioning and financial assurance reforms: consultation paper* (2025) (**DISR Consultation paper**), available here, p 9.
[14] See, for example, Y Tan et al, *Cost and environmental impact estimation methodology and potential impact factors in offshore oil and gas platform decommissioning: A review* (2021), available here, cited in Decommissioning Liability Estimate Report, available here, p 47; Government UK, *North Sea Transition Authority (Oil and Gas Authority) Review 2025*, available here, Part 1: Effectiveness of the North Sea Transition Authority: "The 2025 cost estimate of decommissioning is £44bn, in constant 2024 prices, an 11% increase since 2022 the re-baseline". See also, Omar Mawji, *Canada's Oil and Gas Decommissioning Liability Problem* (May 2022), available here, p 8.

regulators and current or potential future creditors. These include the Commonwealth Government,[15] several State governments including those of Victoria, Western Australia, South Australia and Tasmania,[16] the Australasian Centre for Corporate Responsibility,[17] and a range of environment groups.[18] International stakeholders have also raised serious concerns, including multinational bank BNP Paribas.[19] Where companies fail to provide adequate information about the assumptions and estimates underpinning their decommissioning provisions, investors (both equity and debt) and other stakeholders are unable to assess the adequacy of the decommissioning provisions and face the risk that those liabilities are materially understated.[20]

(f) **The quality of disclosures in Australia lags well behind comparable jurisdictions.** According to a recent report by independent financial think tank The Carbon Tracker Initiative, Australian companies disclosed on average just 19% of the decommissioning information identified as being material to investors. This was less than half the rates of their United Kingdom (45%) and Canadian (41%) counterparts.[21] The report used a methodology grounded in International Financial Reporting Standards, which are adopted into Australian Accounting Standards.[22]

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[15] DISR Consultation paper, available here, p 9: "There are many examples of titleholders underestimating the cost or complexity of their decommissioning obligations".

[16] See Legislative Council Environment and Planning Committee (Victoria), *Final report: Decommissioning oil and gas infrastructure* (June 2026), available here, p 47. The Committee examined Beach, Amplitude and Exxonmobil, being the companies that are decommissioning projects in Victorian waters. See also Senate Environment and Communications References Committee, *Rehabilitation of mining and resources projects as it relates to Commonwealth responsibilities* (2019), available here, paragraph 6.76 ff.

[17] Australasian Centre for Corporate Responsibility, *Offshore oil and gas asset decommissioning* (January 2023), available here, especially at pages 2 and 18, citing a growing body of scholarly literature examining the disclosure practices of extractive companies. See, for example, Mari Paananen, Emmeli Runesson, & Niuosha Samani, *Time to clean up environmental liabilities reporting: Disclosures, media exposure and market implications* (2021), available here; Giovanna Michelon, Mari Paananen, & Thomas Schneider, *Black box accounting: Discounting and disclosure practices of decommissioning liabilities* (2020), available here.

[18] See The Wilderness Society, *ASIC to run the ruler over oil and gas clean up liabilities* (May 2026), available here; Australian Conservation Foundation, *Submission to Offshore decommissioning and financial assurance reforms* (January 2026), available here, p 12. See also Greenpeace, *Nature organisations condemn Australia's oil and gas regulator over failure to ensure ocean clean up* (August 2024), available here.

[19] BNP Paribas, *White Paper: Decommissioning Stranded Energy Assets - A USD 8 Trillion Challenge* (September 2023), available here.

[20] The quality of financial report disclosures may also impact the effective operation of Australia's offshore regulatory framework. For example, it has previously been suggested by industry that NOPSEMA should rely on company disclosures in financial reports to assess whether companies have adequate financial assurance for offshore projects. See Australian Energy Producers, *Submission to offshore decommissioning and financial assurance reforms consultation Paper* (January 2026), available here, p 29.

[21] ARO Report, available here, p 5.

[22] The Australian Accounting Standards Board adopts International Financial Reporting Standards for entities reporting under the *Corporations Act* as part of a broad strategic direction: See Australian Accounting Standards Board, *General FAQs: What is an IFRS and how does it affect accounting in Australia?*, available here.

(g) **Regulatory action is needed to lift disclosure standards in Australia.** Our client acknowledges the work ASIC has done to date,[23] but clearly there is more to do. In other jurisdictions, regulators have actively engaged with poor reporting of decommissioning obligations by issuing guidance. For example, the UK Financial Reporting Council (**FRC**) published a thematic review of compliance with IAS 37, the international equivalent of AASB 137. The review sampled the disclosures of 20 companies, identifying good practice and issuing expectations for future disclosures, including for decommissioning liabilities. The FRC found that the significance of provisions, including decommissioning provisions, is frequently understated and relegated to brief notes at the back of financial reports, despite their materiality and long-term nature, and noted that provisions and contingent liabilities "are at the forefront of the financial statement effects of key issues such as climate change and regulatory action."[24]

(h) **Recent developments at the Cliff Head field demonstrate the need for regulatory intervention.** Pilot Energy Ltd (**Pilot**) and Triangle Energy (Global) Ltd (**Triangle**) are the joint venture partners operating the non-producing Cliff Head oil field through a joint venture entity. Pilot, Triangle and the joint venture entity have now entered voluntary administration.[25] Relevantly to this letter, Pilot and Triangle's most recent financial reports estimated the decommissioning liability for Cliff Head to be ~AUD$20 million,[26] in stark contrast to the AUD$200 million liability estimated in reports commissioned by the Australian Government.[27] Pilot and Triangle's financial reports contained scant disclosure of the assumptions underlying these decommissioning provisions. This meant that investors, regulators and current or potential future creditors were unable to

[23] ASIC has emphasised the importance of ensuring that key assumptions underlying provisions are reasonable, supportable and properly disclosed; has specifically reviewed the adequacy of financial report disclosures by oil and gas companies with large rehabilitation risks; and, in 2022, undertook a review of Woodside's financial reports resulting in the provision of an additional USD$239 million for restoration costs. See ASIC, *ASIC highlights focus areas for 31 December 2021 financial reports under COVID-19 conditions* (December 2021), available here; ASIC, *Annual financial reporting and audit surveillance report 2022–23* (October 2023), available here, p 12 (which indicated that it reviewed the adequacy of financial statement disclosures by "oil and gas producers where impairment and rehabilitation risks exist and disclosures about industry changes and sustainability (such as climate change and greenwashing) are particularly relevant."); ASIC, *Woodside Petroleum increases restoration provision and enhances associated disclosure* (21 February 2022), available here.

[24] IAS 37 Review, available here, p 4.

[25] For an overview of this matter, see The Wilderness Society, *$200 million clean-up bill in doubt as Pilot Energy collapses - Australian Government must demand up front bonds for oil and gas clean up* (14 July 2026), available here.

[26] See, for example, Triangle Energy (Global) Ltd, *2025 Annual Report*, available here, p 25.

[27] Decommissioning Liability Estimate Report, available here, p 35. The report shows the decommissioning liability for Cliff Head to be AUD$200 million, as the only project in the Perth Basin.

evaluate the impact of the liability on each company's liquidity. In short, the true financial position of these companies was not apparent from their financial reports. Those deficiencies have now resulted in significant consequences, with questions remaining as to how Cliff Head will be decommissioned and taxpayers footing the immediate bill to keep the oil rig in safe condition.[28] Recent international analysis of decommissioning-related defaults further demonstrates the consequences that can arise where companies are unable to meet these obligations, including the potential for governments and taxpayers to bear substantial costs.[29]

Key concerns – Quality of companies' decommissioning disclosures

10. We set out below the material decommissioning disclosure information which, in our client's view, is most commonly absent from the financial reports of the Australian oil and gas companies it has reviewed. Our client considers these gaps to be material, recurring across the companies examined, and inconsistent with the disclosure objectives of AASB 137 and **AASB 101** *Presentation of Financial Statements*.[30] Each disclosure sought is realistic and achievable, demonstrated by the examples of "improved disclosure" set out below.[31]

11. Without this information, investors cannot readily evaluate the effect of future decommissioning payments on a company's balance sheet, or understand the risks embedded in these long-term liabilities.

12. Disclosure of decommissioning and restoration provisions in Australia is governed principally by AASB 137, together with AASB 101 and AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The disclosure framework and its application to decommissioning provisions is set out at Appendix A to this letter.

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[28] ABC, *Government to fund maintenance, safety of abandoned oil platform off West Australian coast* (September 2026), available here; Boiling Cold, *Triangle Energy fails due to $200m oil field clean up bill off WA* (21 July 2026), available here; Sydney Morning Herald, *Labor threatens oil giants with emergency offshore clean-up levy* (16 July 2026), available here.

[29] Redwater Insights, *Decommissioning Defaults: The risks of late-life oil and gas assets* (October 2026), available here.

[30] We note that, for for-profit entities for reporting periods beginning on or after 1 January 2027, AASB 101 will be superseded by AASB 18 *Presentation and Disclosure in Financial Statements*.

[31] Further, all the disclosure requirements discussed below were analysed in the ARO Report. The ARO Report assessed the financial report disclosures of 38 oil and gas companies and found that, for each metric, at least one oil and gas company had incorporated it in their financial reports: ARO Report, available here, pp 6, 56-61.

1. Disaggregation of decommissioning provisions

13. Our client is concerned that the financial reports it has reviewed take inconsistent approaches to, or do not provide a meaningful disaggregation of, decommissioning provisions. While the type and level of disaggregation required will vary for each company, the type of disaggregation most commonly significant to investors is:

    (a) the **year-on year changes** to decommissioning liabilities, including the **quantum** and **nature of these changes**; and

    (b) the **composition** of decommissioning liabilities, such as timing, asset, project, reportable segment or, where relevant, jurisdiction.

14. AASB 137 requires, for "each class of provision", disclosure of the nature of the obligation and the uncertainties affecting its measurement.[32] That requirement operates together with AASB 101, which requires entities to separately present material items of a dissimilar nature and provide additional disclosures where necessary to enable users of financial reports to understand the effect of particular events or conditions on financial position and performance.[33] From annual reporting periods beginning on or after 1 January 2027, AASB 18 *Presentation and Disclosure in Financial Statements* will also require for-profit entities to disaggregate financial report line items in notes "whenever the resulting information is material".[34]

15. In our client's view, these requirements mean that an aggregate decommissioning provision may be insufficient where aggregation may obscure information about the underlying drivers and trends of decommissioning liabilities that are material for investors to understand the liability. In particular, an aggregate figure may conceal material changes in individual assumptions, or material differences in the timing, nature or risk of the underlying decommissioning obligation. In those circumstances, more granular disclosure may be necessary to enable investors to understand the reported figure and make informed judgements about the company's decommissioning exposure.

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[32] Australian Accounting Standards Board, *AASB 137: Provisions, Contingent Liabilities and Contingent Assets* (**AASB 137**), available here, paragraphs 84, 85.
[33] Australian Accounting Standards Board, *AASB 101: Presentation of Financial Statements* (**AASB 101**), available here, paragraphs 29, 31.
[34] Australian Accounting Standards Board, *AASB 18: Presentation and Disclosure in Financial Statements*, available here, paragraph 42.

A. Disaggregation of revisions and changes in estimates

16. In our client's view, Australian oil and gas companies should provide sufficient information to enable investors to understand the significant factors driving year-on-year revisions to decommissioning liabilities. Where material or relevant, this should include the amounts attributable to changes in the key assumptions and estimates.

17. AASB 137 requires, for each class of provision, a reconciliation of movements in the provision and an indication of the uncertainties affecting measurement, including, where necessary, the major assumptions made about future events.[35] Considered alongside the true and fair view requirement in section 297 of the *Corporations Act* and the general materiality requirements of AASB 101, our client considers that investors should be given sufficient information to understand what drove a material change in a significant liability.

18. This is particularly important because the net movement in a provision, without more granular disclosure, may conceal significant countervailing changes. For example, an increase in underlying decommissioning cost estimates may be offset by an increase in the discount rate, resulting in a relatively small net revision or even a reduction in the decommissioning provision.[36] Disclosure of the net movement alone may therefore obscure a material increase in the estimated underlying cost of decommissioning. Depending on the circumstances, information that should be disclosed and quantified may include changes to the estimated timing of decommissioning, estimated future cash flows required to settle the obligation, and the estimated discount rates applied.[37]

19. Our client's review identified significant inconsistencies in the extent to which Australian oil and gas companies disclose what is driving revisions to decommissioning liabilities. Some companies provide only a general narrative description of changes to underlying assumptions for decommissioning cost estimates, without quantifying their effect.

20. Amplitude, for example, attributes movements in its restoration provision to:[38]

> ... a combination of changes to estimates of the cost to undertake restoration activities, changes to the estimated time periods during which restoration activity is forecast to occur, changes to assumed future rates of inflation to forecast future expected costs and changes to assumed discount rates to discount future expected costs to derive the

[35] AASB 137, available here, paragraphs 84, 85(b).
[36] Redwater Insights, *It's not a Shell game because everybody plays it* (June 2026), available here. See also discussion further below at paragraph 45.
[37] See AASB 137, available here, paragraphs 84, 85; AASB 101, available here, paragraphs 29, 31.
[38] See Amplitude, *2026 Annual Report*, available here, p 137.

> present value included here within the restoration provision. Changes to estimates of the costs to undertake restoration activities arise from changes to the assumed scope of activity based on current planning for decommissioning and remediation work, changes in the regulatory requirements and also arise from the current cost environment which, in some cases, have led to an increase to service costs …

21. Although qualitative disclosure of the possible drivers of movement is useful to identify why a revision has changed, such an undifferentiated list of potential drivers does not enable investors to understand which factors are responsible for the change, or the extent to which they offset one another. An improved form of disclosure would enable investors to understand the relative significance of each factor by disclosing the specific quantitative amounts attributable to those changes.

22. Few companies identify the amounts attributable to particular changes in decommissioning provision estimates over the financial year. Santos, for example, discloses the cost impacts of changes to the discount and inflation rate in its 2025 financial report.[39] Santos does not, however, disclose the other "changes to assumptions during the year" or the amounts attributable to each change in its reconciliation table or notes. The aggregation of other potential factors, which may range from external (such as regulatory changes or physical risks) to entity-specific (such as a management decision to retire an asset early), may obscure how each has contributed to the overall revision.

23. Similarly, companies including Beach, Beetaloo, and Karoon generally identify the types of assumptions underlying their restoration provisions, however, their reconciliation tables do not disclose the specific year-on-year changes to those assumptions and estimates, nor the amounts attributable to these changes.[40] As such, investors may lack sufficient insight into the financial impact of changes to particular assumptions.

Example of improved disclosure

24. By contrast, **EnQuest** plc, a United Kingdom-based petroleum exploration and production company, discloses the specific quantitative amounts attributable to changes in

[39] Santos, *2025 Annual Report*, available here, p 220. See also Woodside's 2025 financial report which provides that the "2025 change in provision is due to changes in estimates of $898 million and changes in foreign exchange rates of $233 million offset by provisions used of $823 million and a revision of discount rates of $54 million. Changes in estimates are due to new activities, revisions to cost and removal scope assumptions and rate changes supported by most recent estimates and benchmarks": Woodside, *2025 Annual Report*, available here, p 218.

[40] See Beach, *2026 Annual Report*, available here, pp 123-125; Beetaloo, *2025 Annual Report*, available here, p 92; Karoon, *2025 Annual Report*, available here, pp 104-105. See also Cue, *2025 Annual Report*, available here, pp 56-57; Echelon, *2025 Annual Report*, available here, p 79.

assumptions underlying its decommissioning provision in its 2024 financial report (our emphasis in bold):[41]

> Changes in estimates during the year primarily reflect the net effect of $78.0 million **increase in the underlying cost estimates** partly offset by $59.0 million impact from the **increase in the discount rate** and $12.4 million **foreign exchange impact** due to the weakening of Sterling to US Dollar exchange rates.

25. This disclosure enables investors to identify the significant increase in the underlying cost estimate notwithstanding the offsetting effects of changes in the discount rate and foreign exchange. In our client's view, this type of disclosure provides materially greater insight into the financial significance of revisions to a decommissioning provision, particularly where these changes operate in different directions and offset one another.

B. Disaggregation by timing, asset, project, segment or jurisdiction

26. The composition of a decommissioning provision may also be material to understanding the liability. The appropriate basis of disaggregation will depend on the company's circumstances, but may include timing, asset, project, reportable segment or, where relevant, jurisdiction. Currently the Australian oil and gas companies with the largest decommissioning provisions report the following high-level disclosures in their latest financial reports:

    (a) Woodside: USD$637 million (current); USD$6,249 million (non-current);[42]

    (b) Santos: USD$330 million (current); USD$3,736 million (non-current);[43]

    (c) Beach: AUD$117 million (current); AUD$874.8 million (non-current);[44] and

    (d) Amplitude: AUD$12.551 million (current); AUD$413.913 million (non-current).[45]

27. Our client is concerned that the presentation of a high-level, undifferentiated decommissioning provision fails to present a clear picture of each company's decommissioning profile. Decommissioning liabilities may comprise obligations associated with materially different assets or projects, each of which may have different cost, timing and regulatory characteristics. Similarly, where a company has decommissioning

[41] EnQuest plc, *2024 Annual Report*, available here, p 170. EnQuest maintains its high standard of disclosure in its 2025 financial report. EnQuest included a similar narrative disclosure, noting that the revision amount of GBP$40.9 million could not be disaggregated as it was "predominantly due to a weaker US Dollar". See EnQuest plc, *2025 Annual Report*, available here, p 172.
[42] See Woodside, *2025 Annual Report*, available here, p 218.
[43] Santos, *2025 Annual Report*, available here, p 219.
[44] Beach, *2026 Annual Report*, available here, p 124.
[45] Amplitude, *2026 Annual Report*, available here, p 136.

obligations across different jurisdictions, differences in regulatory and legal requirements may affect the nature, timing and cost of decommissioning activities. For example, Woodside has assets in the United States, Senegal, Timor-Leste and Canada; Santos has assets in Papua New Guinea, Timor-Leste, the United States; and Beach has assets in New Zealand.[46] In those circumstances, aggregation may obscure information relevant to understanding the company's overall decommissioning exposure.

28. In our client's view, where differences between assets, projects, segments, jurisdictions or timing are material to understanding the nature, measurement or risk of the liability, the relevant information should be disaggregated. The importance of timing is addressed further from paragraph 31 below. Similarly, EnQuest's disaggregation of revisions is discussed at paragraph 24 above.

2. Assumptions and estimates used to measure the decommissioning liability

29. Our client is concerned that Australian oil and gas companies demonstrate material deficiencies in their disclosure of three categories of key assumptions and estimates relevant to the application of AASB 137 and AASB 101 and reflected in the updated Illustrative Example D:

    (a) estimated **timing** of settlement;

    (b) estimated **costs** to settle the decommissioning obligation and the related payment schedule; and

    (c) **discount rates** applied.

30. Decommissioning provisions can be highly sensitive to changes in these scope, cost, timing and discount rate assumptions. Many Australian oil and gas companies have substantially increased their decommissioning provisions over the last five years, with significant year-to-year movements.[47] For example, Woodside's net decommissioning provision increased by approximately USD$4,668 million between 2021 and 2025, moving between USD$2,218 million (2021), USD$6,253 million (2022), USD$7,154 million (2023),

[46] See Woodside, *2025 Annual Report*, available here, p 15; Santos, *2025 Annual Report*, available here, p 2; *Beach 2025 Annual Report*, available here, p 2.
[47] Between 2021-2025, Santos' net restoration provision has increased by USD$249 million from USD$3,817 million to USD$4,066 million: Santos, *2021 Annual Report*, available here, p 94; Santos, *2025 Annual Report*, available here, p 219. Amplitude's net restoration provision increased by AUD$62.8 million from AUD$363.6 million to AUD$426.4 million: Amplitude (formerly Cooper Energy), *2021 Annual Report*, available here, p 98; Amplitude, *2026 Annual Report*, available here, p 136.

USD$6,526 million (2024) and USD$6,886 million (2025).[48] Woodside has predominantly attributed these yearly revisions to "changes in estimates" based on new activities, revisions to cost and removal scope assumptions and rate changes.[49] These movements show that decommissioning provisions are highly sensitive to changes in assumptions, resulting in potentially significant underestimation, volatility and uncertainty, and material variations from year to year. As set out from paragraph 13, that sensitivity is why disaggregated disclosures of the factors driving the movements is necessary if investors are to understand them.

A. Timing

31. In our client's view, companies should provide clear disclosures of the estimated timeframes for settling their decommissioning obligations.

32. AASB 137 requires disclosure of the nature of the obligations and the expected timing of any resulting outflows and, where necessary, adequate information on the uncertainties about that timing and the major assumptions underpinning future events.[50] Illustrative Example D demonstrates such disclosure. The material effect that assumed timing of future expenditure may have on decommissioning provisions, and the AASB 101 requirement to disclose judgements that have the most significant effect on amounts recognised, support the same conclusion.

33. Our client's review identified that Australian oil and gas companies provide inconsistent, limited and opaque disclosures of the estimated timing for settling their decommissioning obligations. A common reporting pattern identified by our client is for companies to acknowledge that the timing for settling decommissioning obligations is uncertain and that it will occur "many years in the future".[51]

34. The systemic characterisation of decommissioning obligations as occurring "many years in the future" is to some extent inconsistent with publicly available data on the near-term

[48] Woodside, *2021 Annual Report*, available here, p 128; Woodside, *2022 Annual Report*, available here, p 138; Woodside, *2023 Annual Report*, available here, p 146; Woodside, *2024 Annual Report*, available here, p 187; Woodside, *2025 Annual Report*, available here, p 218.
[49] See Woodside, *2022 Annual Report*, available here, p 138; Woodside, *2023 Annual Report*, available here, p 146; Woodside, *2024 Annual Report*, available here, p 187; Woodside, *2025 Annual Report*, available here, p 218.
[50] AASB 137, available here, paragraph 85(a), (b).
[51] See Santos, *2025 Annual Report*, available here, p 219: "In most instances, the removal of these assets will occur many years in the future…"; Amplitude, *2026 Annual Report*, available here, p 139: "The Group estimates the future decommissioning and restoration costs at different phases in an asset's lifecycle, which in many instances occurs many years into the future…"; Woodside, *2025 Annual Report*, available here, p 219: "In many instances, decommissioning of assets occurs many years into the future…"; Beach, *2026 Annual Report*, available here, p 123: "Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain…".

scale of Australia's decommissioning workload. As identified above, approximately 56% of Australian offshore oil and gas infrastructure will be decommissioned before 2040.[52] Consistent with that, Woodside discloses that almost half of its non-current decommissioning liability is expected to be settled within 10 years.[53]

35. Santos, Beach and Amplitude have recently introduced "maturity profile" analyses of decommissioning obligations in their disclosures, setting out estimated decommissioning cash outflows over periods of less than one year, one to five years and more than five years, which our client considers a useful development.[54] However, broad time bands may not, in all cases, provide sufficient information to understand the timing assumptions underlying a material decommissioning liability, particularly if the company is assuming that significant expenditure will occur far in the future. More granular information on settlement timing is particularly important as any acceleration in the assumed timing of decommissioning may materially impact the liability recognised on the balance sheet.[55] Improved disclosure may be achieved by way of disclosure of the estimated date or period by which the liability is expected to be substantially settled, or the weighted average period over which associated costs are expected to be incurred.[56]

Example of improved disclosure

36. Companies in other jurisdictions provide more granular and transparent disclosure of timing assumptions. For example, British multinational oil and gas company, **BP** plc, discloses in its 2025 financial report that "[t]he weighted average period over which decommissioning and environmental costs are generally expected to be incurred is estimated to be approximately 16 years (2024: 17 years) and 7 years (2024: 7 years) respectively".[57]

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[52] Decommissioning Liability Estimate Report, available here, p 38.
[53] Woodside, *2025 Annual Report*, available here, p 129.
[54] Santos, *2025 Annual Report*, available here, p 220; Beach, *2026 Annual Report*, available here, p 124; Amplitude, *2026 Annual Report*, available here, p 137.
[55] Centre of Decommissioning Liability, *A Baseline Assessment of Australia's Offshore Oil and Gas Decommissioning Liability*, available here, p 3; ARO Report, available here, p 47.
[56] Our client, based on its review, is only aware of one Australian company, Amplitude, that discloses the weighted average estimated timing of settlement of its decommissioning obligation. This was disclosed for the first time in its 2026 Annual Report, as "[t]he weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately 11 years (2025: 12 years)": Amplitude, *2026 Annual Report*, available here, p 137. We also note that Strike's reporting in 2025 states "the removal of assets will occur many years in the future, which is expected to be up to 20 years in the future": Strike, *2025 Annual Report*, available here, p 81. Echelon's 2025 Annual Report states settlement of decommissioning liabilities "is expected to occur between 1 July 2025 and 2055": Echelon, *2025 Annual Report*, available here, p 79.
[57] BP plc, *2025 Annual Report*, available here, p 176.

37. The extent of timing disclosure required will depend on the nature and materiality of the liability, but in our client's view weighted average timing estimates of the kind provided by BP represent a minimum standard of timing disclosure.

B. Settlements and payment schedule

38. Our client's review found that most Australian oil and gas companies do not disclose:

    (a) the estimated **undiscounted costs** to settle the decommissioning obligations at the balance sheet date;

    (b) the estimated **future cash flows** to settle decommissioning obligations;[58] or

    (c) a **payment schedule** showing how those cash flows are expected to fall across the relevant future reporting periods.

39. This information is material to investors' assessment of companies' current and future balance sheets and capital requirements. Further, in our client's view, entities disclosing the discount rate, discussed below, should also disclose the undiscounted cash flows to which it is applied and the timing of those cash flows to provide investors with a complete representation of the relevant material information.

Example of improved disclosure

40. Companies in other jurisdictions already disclose this information.[59] BP, for example, discloses the estimated phasing of its undiscounted upstream decommissioning cash flows (our emphasis in bold):[60]

> The estimated phasing of undiscounted cash flows in real terms for upstream decommissioning is approximately $5.7 billion (2024 $5.5 billion) within the **next 10 years**, $6.0 billion (2024 $6.2 billion) in **10 to 20 years** and the remainder of approximately $7.0 billion (2024 $6.7 billion) **after 20 years**. The timing and amount of decommissioning cash flows are inherently uncertain and therefore the phasing is management's current best estimate but may not be what will ultimately occur.

41. Diversified Energy Company Plc, a US company listed on the London Stock Exchange and New York Stock Exchange, similarly discloses anticipated future decommissioning

[58] As discussed above, Santos, Amplitude and Beach provide some information about estimated future cash flows to settle part of the decommissioning obligation in a maturity profile table. However, these analyses do not include the undiscounted cash flows. See Santos, *2025 Annual Report*, available here, p 220; Beach, *2026 Annual Report*, available here, p 124; Amplitude, *2026 Annual Report*, available here, p 137.
[59] For further examples, see Petrobras, *2025 Annual Report*, available here, p 373; Equinor, *2025 Annual Report*, available here, p 238.
[60] BP plc, *2025 Annual Report*, available here, p 176.

cash outflows on on both an undiscounted and discounted basis and allocates those figures across specified future time periods:[61]

As of June 30, 2025:

(In thousands)	Not Later Than One Year	Later Than One Year and Not Later Than Five Years	Later Than Five Years	Total
Asset retirement obligations (undiscounted)	8,683	67,307	2,998,593	3,074,583
Asset retirement obligations (discounted)	8,683	59,082	823,988	891,753

C. Discount rate

42. The discount rate is a key input into the measurement of a decommissioning provision. AASB 137 requires, for each class of provision, disclosure of the increase during the period in the discounted amount arising from the passage of time and of the effect of any change in the discount rate.[62] In practical terms, this means that where the discount rate changes, investors should be able to understand the effect of that change on the amount of the provision.

43. AASB 137 also requires provisions to be measured, where the effect of the time value of money is material, at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.[63] In practical terms, this means the discount rate is a key input into the reported amount of a decommissioning provision – it determines how estimated future decommissioning expenditures are translated into their present value and must reflect the market and liability-specific factors identified by AASB 137.

44. In our client's view, meaningful compliance with these requirements requires sufficient disclosure of the discount rate or rates used to enable investors to understand and assess how the present value of the decommissioning provision has been determined.

45. For decommissioning obligations, which may extend over decades, relatively modest changes in the discount rate can have a material effect on the carrying amount of the provision. The effect can also operate in the opposite direction to changes in the underlying cost estimate, such that the reported provision may remain stable or decrease notwithstanding a substantial increase in the estimated cost of decommissioning. For

[61] Diversified Energy Company Plc, *2025 Interim Report*, available here, p 10. See also Pulse Oil Corp, a Canadian company listed on the Toronto Stock Exchange, which discloses its undiscounted cash flow to settle its decommissioning obligations, broken down by project: Pulse Oil Corp, *Consolidated financial statements for the years ended December 31 2024, 2025*, available here, p 18.
[62] AASB 137, available here, paragraph 84(e).
[63] AASB 137, available here, paragraph 47.

example, **Shell** plc, a multinational British oil and gas company, reported a gradual reduction in the ending balances for its decommissioning liabilities over FY 2021-2025. However, based on Shell's disclosures, its decommissioning cost estimate also increased over that period by approximately USD$6.761 billion. That increase was at least partly offset by a material increase in the discount rate, which has been reported to have risen from 2% to 4.5% and reduced the decommissioning liability estimate by approximately USD$6.786 billion.[64] As noted at paragraph 18 above, a reduction or relatively stable reported provision may otherwise obscure a substantial increase in the underlying estimated decommissioning cost where changes in the discount rate reduce the provision.

46. Of the Australian oil and gas companies examined by our client, only four disclosed the discount rates used.[65] Even among those companies, some disclosed the rates as relatively wide ranges. For example, Echelon disclosed a discount rate range as wide as 1.48% to 4.79%. A range of this magnitude is difficult to interpret by reference to those endpoints alone. It does not indicate how those rates are distributed across that range or the extent to which different rates have been applied to different obligations.

47. Other companies with material decommissioning liabilities do not disclose the discount rates used. For example, Santos and Karoon hold large decommissioning liabilities relative to their size of approximately USD$4,066 million[66] and USD$278.4 million[67] respectively, yet do not disclose the discount rates used to determine those provisions.[68]

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[64] See the explanations and calculations in Redwater Insights, *It's not a Shell game because everybody plays it* (June 2026), available here.

[65] All four companies used risk-free discount rates in accordance with AASB 137, available here, paragraph 47. Echelon's disclosed discount rate provided the largest range, between 1.48% to 4.79% (30 June 2024: 2.09% to 4.83%), see Echelon, *2025 Annual Report*, available here, p 79. See also Beach, *2026 Annual Report*, available here, p 123: range of 4.5% to 5.2% (2025: 3.2% to 4.7%); Amplitude, *2026 Annual Report*, available here, p 137: range of 4.36% to 4.73% (2025: 3.43% to 4.19%); Woodside, *2025 Annual Report*, available here, p 219: range between 3.5% and 5.2% (2024: 4.0% and 4.9%). Our client also understands that only one Australian oil and gas company, Amplitude, discloses information about the inflation rate used to calculate the decommissioning liability. Amplitude, *2026 Annual Report*, available here, p 137: "Inflation rate assumptions applied in the calculation of the provision as at 30 June 2026 ranged from 2.0% to 2.75% (2025: 2.0% to 2.85%)." Like discount rates, inflation rates involve management judgement and can have a material impact on decommissioning liability estimates.

[66] Santos, *2025 Annual Report*, available here, p 142.

[67] Karoon, *2025 Annual Report*, available here, p 105.

[68] Our client has analysed Santos' financial reports for FY 2020-2025 and, by dividing the disclosed accretion amount by the opening decommissioning liability, calculated a crude proxy discount rate for each year. On these calculations, the proxy rate was approximately 1.58% in 2020, 1.26% in 2021, 2.33% in 2022, 4.07% in 2023, 4.03% in 2024 and 4.37% in 2025. This suggests that changes in discount rates have had a material impact on changes in Santos' reported decommissioning liability. However, it is not possible to accurately calculate the discount rate based on Santos' current disclosures, and so it is impossible to determine the extent to which changes in Santos' substantial decommissioning liability (USD$4,066 million in its 2025 Annual Report) are attributable to changes in the discount rate. The same is true for Karoon.

48. In our client's view, where material, companies should also disclose a weighted average discount rate and, where appropriate, disaggregation of the rate. Such disclosure would provide greater transparency as to how variations in timing and risk characteristics are reflected in the measurement of the underlying obligations, including differences between assets or jurisdictions where relevant.

Example of improved disclosure

49. Disclosure of disaggregated assumptions concerning inflation, discount rate and cessation of production (i.e. decommissioning timelines) is common in the financial reports of international oil and gas companies. For example, Energean plc, a London and Tel-Aviv listed oil and gas company, disclosed these assumptions by jurisdiction in its 2025 financial report:[69]

The principal assumptions used in determining decommissioning obligations for the Group are shown below:

	Inflation assumption	Discount rate assumption	Cessation of production assumption	Spend in 2025	2025 ($'000)	2024 ($'000)
Greece	2.04%-2.00%	3.70%	2045	-	16,021	12,966
Italy	1.66%-2.00%	3.90%	2052	23,046	540,394	496,984
UK	2.11%	4.28%	2033	31,558	166,332	193,972
Israel	2.19%-2.70%	4.78%	2044	-	89,999	85,357
Croatia	1.66%-2.00%	3.90%	2039	-	22,220	21,380
Total				**54,604**	**834,966**	**810,659**

3. Sensitivities of decommissioning liabilities to changes in key assumptions

50. Our client is concerned that Australian oil and gas companies provide uneven and, in material respects, inadequate information about the sensitivity of their decommissioning liabilities to changes in key assumptions. In particular, our client has identified deficiencies in disclosures across three critical categories:

(a) key **regulatory and legal** assumptions;

(b) **cessation of production** and decommissioning **timing** assumptions; and

(c) **discount rate** assumptions.

[69] Energean plc, *2025 Annual Report*, available here, p 225.

51. AASB 137 requires disclosure of uncertainties about the amount and timing of provisions.[70] AASB 101 also requires disclosure of assumptions and other major sources of estimation uncertainty that carry a significant risk of a material adjustment within the next financial year, including information about the sensitivity of those carrying amounts to the underlying methods, assumptions and estimates.[71]

52. In our client's view, where a decommissioning provision is materially sensitive to underlying assumptions, disclosure should be sufficient to enable investors to assess how the provision would be affected if those assumptions changed. Such disclosure is particularly important where key assumptions rest on contested regulatory, environmental or legal interpretations. Without transparency regarding these underlying assumptions and their sensitivity, investors lack sufficient information to assess either the durability of underlying assumptions or the cost consequences if they prove incorrect.

A. Key regulatory assumptions

53. On 12 December 2025, we wrote to ASIC on behalf of our client concerning the 2025 financial reports of Beach and Amplitude (**December 2025 Report of Misconduct**).[72] Our client remains concerned about the assumption adopted by Beach and Amplitude, as outlined in that letter, and other offshore oil and gas companies such as Woodside and Santos, that certain offshore infrastructure, including pipelines, can be left in-situ at the end of field life.[73] In our client's view, companies should include the cost of removal in decommissioning provisions to give investors a true and fair view of the entity's financial position.

54. As identified in the December 2025 Report of Misconduct, the assumption of in-situ abandonment of offshore infrastructure is inconsistent with the current legal and regulatory framework. In its response to the December 2025 Report of Misconduct,[74] ASIC proposed to take no action in relation to Beach and Amplitude's assumptions to abandon pipelines in-situ. In doing so, ASIC appears to have placed weight on the Australian Government's

[70] See AASB 137, available here, paragraph 85(b).
[71] AASB 101, available here, paragraphs 125, 129.
[72] Equity Generation Lawyers on behalf of The Wilderness Society, *Letter to ASIC regarding Beach and Amplitude* (the **December 2025 Report of Misconduc**t) (12 December 2025), available here.
[73] See for example Amplitude, *2026 Annual Report*, available here, p 139: "the Patricia Baleen pipeline, which is constructed from steel and concrete, is assumed to remain in-situ, where it can be demonstrated that this will result in a net environmental benefit compared to the full removal of the pipeline, and where regulatory approval is anticipated to be obtained.". See also Beach, *2026 Annual Report*, available here, p 124: "Estimated costs in the provision currently assume that all sub-sea pipelines will be left in-situ…". See also Woodside, *2025 Annual Report*, available here, p 219; Santos, 2025 Annual Report, available here, p 219.
[74] See Senate Economics Legislation Committee, *2026-27 Budget Estimates*, *Answers to Question on Notice No SQ26-000472*, available here.

2026 *Guidance for removal of oil and gas property and sea dumping of infrastructure in Commonwealth waters* (**2026 DISR guidance**) and the possibility, in limited circumstances, of leaving certain infrastructure in the sea.[75] However, that guidance does not establish that in-situ abandonment is an available or probable outcome for any particular asset. Rather, it expressly confirms that removal of offshore infrastructure is the default requirement under s 572(3) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (**OPGGS Act**), and that titleholders must plan and provide for removal. The guidance also states that it does not replace or limit the OPGGS Act or advise what NOPSEMA will approve. In fact, there is no established Australian precedent for the regulatory acceptance of the in-situ abandonment of offshore pipelines.[76]

55. ASIC's response to the December 2025 Report of Misconduct placed particular weight on Beach and Amplitude having quantified in the notes the additional cost that would be incurred if full removal were required. Our client agrees that such sensitivity information is important but considers that users of financial reports will primarily rely on the topline liability figures. These figures should be reasonable and reliable. Investors with a limited understanding of the legal framework may not appreciate the considerable regulatory uncertainty underpinning these topline figures, which in any event should be able to be relied upon as the entity's best estimate of the liability.

56. If full removal is to occur – which, in our client's view, is clearly the most likely outcome – it will materially increase oil and gas companies' decommissioning provisions. That means that excluding removal costs from the topline figures is likely to mislead investors regarding the true size of the decommissioning provision. Santos estimates that removal of all major pipelines currently assumed to remain in-situ would increase its decommissioning provision by approximately USD$550 to USD$750 million.[77] Beach and Amplitude similarly disclose increases of up to AUD$283 million[78] and AUD$35 to AUD$85 million,[79] respectively. Across Santos, Beach and Amplitude, the disclosed scenarios would increase the relevant decommissioning provisions by approximately 8.21% -

[75] See Australian Government, *Guidance for removal of oil and gas property and sea dumping of infrastructure in Commonwealth waters* (May 2026), available here.
[76] In answer to *Question on Notice No AI-54* in the *2025-26 Additional Estimates*, a NOPSEMA representative confirmed that NOPSEMA has not accepted any environment plan permitting the in-situ abandonment of pipelines: Senate, Economics Legislation Committee, *2025–26 Additional Estimates, Question on Notice No AI-54* (Senator Peter Whish-Wilson to the National Offshore Petroleum Safety and Environmental Management Authority, 20 February 2026), available here.
[77] Santos, *2025 Annual Report*, available here, p 220.
[78] Beach, *2026 Annual Report*, available here, p 124.
[79] Amplitude, *2026 Annual Report*, available here, p 139.

28.5%.[80] This increase also represents a significant portion of the company's total liability, being approximately 13.3% and 5.28% - 12.8% of Beach and Amplitude's total liabilities, respectively. These amounts demonstrate that the in-situ assumption is not a peripheral estimation matter, but one capable of materially affecting the reported liability.

57. The material consequences of changes to in-situ assumptions have already transpired for Woodside. Following ASIC intervention in 2022, Woodside provided an additional USD$239 million for decommissioning costs in its 2021 financial report, primarily reflecting costs associated with removal of rigid plastic-coated pipelines.[81] Woodside also disclosed at that time that removal of all, or a substantial portion, of certain infrastructure could increase its provision by approximately USD$300-500 million.[82]

58. Our client is also concerned that the treatment of this issue is not consistent across Australian oil and gas companies. In particular, Woodside's 2025 financial report states that certain infrastructure is assumed to be decommissioned in-situ but does not identify the affected assets or quantify the financial effect of that assumption on its provision.[83] This appears materially less informative than the disclosure ASIC identified in its response to the December 2025 Report of Misconduct as an important factor in its consideration of Beach and Amplitude's reports and, in our client's view, warrants ASIC's specific consideration as a systemic disclosure issue.[84]

59. Given in-situ abandonment is a materially consequential assumption, which departs from the statutory starting point of full removal and is subject to significant regulatory uncertainty, our client continues to hold concerns about the exclusion of removal costs from the decommissioning provision, and whether in-situ assumptions are adequately supported and appropriately disclosed. Sensitivity analysis is relevant to the latter issue, but cannot substitute for evidence supporting the reasonableness of the underlying assumption. The audit implications of that distinction are addressed below from paragraph 82.

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[80] The percentage increase is calculated as the additional estimated decommissioning cost divided by the existing restoration provision. See Santos, *2025 Annual Report,* available here, p 220; Beach, *2026 Annual Report,* available here, p 124; Amplitude, *2026 Annual Report*, available here, p 136.
[81] See public release: ASIC, *Woodside Petroleum increases restoration provision and enhances associated disclosure* (21 February 2022), available here.
[82] Woodside, *2021 Annual Report*, available here, p 129.
[83] Woodside, *2025 Annual Report*, available here, p 219. We note that Woodside does disclose that "If the cost estimates were increased by 10% then the provision would be $689 million higher", but this is not disclosed in the context of in-situ abandonment assumptions.
[84] See Senate Economics Legislation Committee, *2026-27 Budget Estimates*, *Answers to Question on Notice No SQ26-000472*, available here: "The inclusion of an estimate of the additional cost that would be incurred if full removal was required is an important factor in [ASIC's] assessment".

B. Cessation of production and decommissioning timing assumptions

60. In our client's view, meaningful compliance with AASB 137 may require disclosure of sensitivities to the expected timing of cessation of production and settlement of decommissioning obligations, as these assumptions are typically subject to significant uncertainty and could have a material impact on the provision. Almost all of the Australian oil and gas companies our client reviewed did not disclose this sensitivity.[85]

61. Sub-Example 2 (Decommissioning costs) to Illustrative Example D describes an AASB 137-compliant entity as disclosing a sensitivity analysis for the expected timing of settling decommissioning obligations (our emphasis in bold):[86]

> A provision of 300 million has been recognised for decommissioning costs. These costs are expected to be incurred between 2060 and 2070; however, there is a possibility that decommissioning will not take place until 2100–2110. **If the costs were measured based upon the expectation that they would not be incurred until 2100–2110 the provision would be reduced to 136 million**…

62. Expected timing of cessation of production and decommissioning liabilities is affected by a range of assumptions, including assumptions around future commodity prices. Oil and gas companies routinely perform and disclose sensitivity analyses on future commodity prices in a range of contexts;[87] where it is material, the same should occur in the context of decommissioning provisions.

Example of improved disclosure

63. Timing sensitivity analysis is common in the financial reports of international oil and gas companies.

64. **Jadestone** Energy plc, an international oil and gas company listed on the London Stock Exchange, included a sensitivity analysis of the impact of "one year acceleration" and "one year deferral" on its provision amount in its 2025 financial report:[88]

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[85] Only Beach appears to provide a partial disclosure, stating that "In addition, cost savings have also been embedded in the cost estimates assuming that restoration activities can be undertaken in an efficient manner … Should the future outcome of negotiations with regulators change these plans or impact our ability to realise the campaign cost savings, these decommissioning activities may need to be expanded or brought forward which may result in up to $47 million to be added to the amount of the Group's restoration provision": See Beach, *2026 Annual Report*, available here, p 124.
[86] See AASB 137, available here, page 27.
[87] See, for example, Santos' analysis of the nominal crude oil prices used in impairment calculations: Santos, *2025 Annual Report*, available here, p 217.
[88] Jadestone Energy plc, *2025 Annual Report*, available here, p 116.

The results of the sensitivity analysis are set out in the table below.

Assumption	Change in assumption	Increase/(decrease) in provision (US$'000)
Discount rate	Increase by 1%	(49,121)
	Decrease by 1%	54,636
Inflation rate	Increase by 1%	55,093
	Decrease by 1%	(50,412)
Current estimate costs	Increase by 10%	52,975
	Decrease by 10%	(52,975)
Estimated decommissioning year	One year acceleration	8,841
	One year deferral	(10,323)

65. BP's 2025 financial report also includes a sensitivity analysis on timing (our emphasis in bold):[89]

> The discounting impact on the group's decommissioning provisions for oil and gas properties in the oil productions & operations and gas & low carbon energy segments of a **two-year change in the timing of expected future decommissioning expenditures** is approximately $0.7 billion (2024 $0.3 billion).

C. Discount rate assumptions

66. Our client is concerned that, of the ten companies examined, only three disclose the sensitivity of their decommissioning provisions to changes in discount rates.[90] Even small changes in discount rates can have a significant impact on decommissioning provisions. Woodside, for example, discloses that a decrease in the discount rate of 0.5% would increase its decommissioning provision by USD$355 million.[91] Our client is particularly concerned that Santos, a company with large decommissioning provisions, does not disclose discount rate sensitivity analysis, leaving investors unable to properly assess the risks attaching to changes in these rates, including the effect of updated cost forecasting.

Example of improved disclosure

67. Disclosure of sensitivity to changes in discount rates is commonplace in other jurisdictions. Petrobras, a Brazilian multinational petroleum company, disclosed in its 2025 financial

[89] BP plc, *2025 Annual Report*, available here, p 176.
[90] Being Beach, Amplitude and Woodside. Beach discloses that a 0.5% change in the nominal discount rate or inflation rate could have an impact of approximately -AUD$51/+AUD$55 million on the decommissioning provision. Amplitude discloses that if the discount rates used were 1% lower, the restoration provision would increase by AUD$46 million. See Beach, *2026 Annual Report*, available here, p 123; Amplitude, *2026 Annual Report*, available here, p 137. See also the reports of the companies that did not disclose sensitivity to discount rates: Santos, *2025 Annual Report*, available here, p 142; Beetaloo, *2025 Annual Report*, available here, p 92; Cue, *2025 Annual Report*, available here, p 56; Echelon, *2025 Annual Report*, available here, p 79; Horizon, *2025 Annual Report*, available here, p 61; Karoon, *2025 Annual Report*, available here, p 105; Strike, *2025 Annual Report*, available here, p 81.
[91] Woodside, *2025 Annual Report*, available here, p 219.

report that a 0.5% change in the discount rate could have an impact of approximately -USD$1,739/+USD$1,914 million on the decommissioning provision.[92] Equinor, an international energy company listed on the New York Stock Exchange, disclosed in its 2025 financial report that an increase in the discount rate by 1% would reduce the decommissioning liability by USD$1.4 billion, whereas a corresponding reduction would increase the liability by USD$2.1 billion.[93] Jadestone's 2025 financial report, extracted above at paragraph 64, also provides a discount rate sensitivity analysis.

Key concerns – Auditing treatment of decommissioning disclosures

68. Our client has reviewed the auditor treatment of decommissioning obligations in the latest financial reports of the listed companies identified above. In our client's view, auditor treatment of decommissioning obligations strongly supports the case set out above for sector-wide improvements to the disclosure of decommissioning obligations. Our client is also concerned that the independent audits of the financial reports may not have sufficiently discharged the auditors' obligations under the Australian Auditing Standards and *Corporations Act*.

69. As set out in detail below:

    (a) **First**, a majority of audits for companies with large decommissioning liabilities identify decommissioning as a 'key audit matter' (**KAM**). This highlights the significant amount of judgment and estimation uncertainty attached to these obligations, and illustrates why investors should have a better understanding of the nature and risks attached to decommissioning liabilities via disclosures;

    (b) **Second**, for the audit reports that identify decommissioning as a KAM, our client is concerned by the audit treatment of decommissioning obligations in two key respects:

        i. The auditors identify and treat information as material which is not disclosed in the companies' financial reports. If an auditor considers that certain assumptions and estimates warrant specific evaluation, this is the type of information that should be disclosed in the financial reports;

[92] Petrobras, *2025 Annual Report*, available here, p 373.
[93] Equinor, *2025 Annual Report*, available here, p 238.

ii. The auditors may not have obtained sufficient appropriate evidence to support the in-situ assumptions adopted by certain companies, under which infrastructure such as pipelines are assumed to be left in place; and

(c) **Third**, all audit reports express an unmodified audit opinion, which may be inconsistent with the disclosure gaps identified in this letter.

70. The auditor treatment of decommissioning disclosures is significant in light of the recent insolvencies of Pilot and Triangle, where management estimated the Cliff Head liability at approximately AUD$20 million in its financial reports despite external evidence indicating substantially higher decommissioning costs, with potentially serious implications for company liquidity.[94] The resultant investor exposure demonstrates the importance of independent audit procedure in protecting investors from financial risk, and the need for improved regulatory scrutiny.

71. Our client's concerns are based on a review of the audited financial reports and the independent auditors' reports. Our client does not have access to the underlying audit files, and makes no representation about the audit procedures performed beyond those disclosed in the auditors' reports.

1. Identifying decommissioning as a key audit matter

72. For a listed entity, the auditor is required to determine and communicate KAMs in the independent auditor report.[95] A KAM is a matter that, in the auditor's professional judgement, was of the most significance in the audit of the current period.[96]

73. Our client's review found that, for half of the Australian oil and gas companies examined, the auditors' reports identified accounting for decommissioning obligations as a KAM (namely, Santos, Beach, Amplitude, Cue and Horizon). KAM treatment reflects the auditor's own professional judgement that accounting for decommissioning obligations forms a significant part of the audit, given the significant judgement and estimation uncertainty involved. It also indicates the matter required significant auditor attention, which may involve complex auditor judgements and engaging more comprehensive procedures to obtain relevant and reliable audit evidence.[97]

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[94] Energy News Bulletin, *Opinion: An order of magnitude of liability* (19 August 2026), available here.
[95] Auditing and Assurance Standards Board, *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* (**ASA 701**), available here, paragraphs 7, 11.
[96] ASA 701, available here, paragraphs 8,11(a).
[97] ASA 701, available here, paragraphs A12-A14, A27-A30.

74. The auditors' reasons for KAM treatment of decommissioning obligations in each of the identified reports are as follows:

Company and auditor	**Reasons for identifying accounting for decommissioning obligations as a KAM**
Santos – Ernst & Young[98]	Significant judgement and estimation regarding removal timing, environmental / regulatory requirements, restoration scope, engineering methodology, future removal technologies and discount rates. Also identifies "uncertainty whether the Australian regulator will approve plans for [certain] items to be decommissioned in-situ".
Beach – Ernst & Young[99]	Substantively the same reasons as Santos above.
Amplitude – Ernst & Young[100]	Substantively the same reasons as Santos above.
Cue – KPMG[101]	Substantively the same reasons as Santos above, however, does not specifically identify uncertainty regarding in-situ abandonment. Also identifies the significant size of the Maari restoration provision relative to the Group's total restoration provisions and estimation uncertainty surrounding forecast restoration cash flows.
Horizon – PwC[102]	Substantively the same reasons as Santos above, however, does not specifically identify uncertainty regarding in-situ abandonment. Identifies that the provision was a KAM due to "the significance of the balance and the required judgement, effort and subjectivity in performing procedures and evaluating the Group's methodology, significant assumptions and estimates."

Woodside – an outlier

75. By contrast, accounting for decommissioning obligations was not identified as a KAM for Woodside (audited by PwC), notwithstanding that Woodside carried the largest of the

[98] Santos, *2025 Annual Report*, available here, p 267.
[99] Beach, *2026 Annual Report*, available here, p 146.
[100] Amplitude, *2026 Annual Report*, available here, pp 163-164.
[101] Cue, *2025 Annual Report*, available here, p 72.
[102] Horizon, *2025 Annual Report*, available here, p 46.

decommissioning obligations of the companies examined, with a net provision of USD$6,886 million.[103] While our client recognises that the determination of KAM is specific to each audit, the absence of a decommissioning KAM for a company carrying the largest such obligation raises concerns regarding how the auditor assessed the level of judgement and estimation uncertainty involved. In our client's view, this warrants ASIC's inquiry into the consistency of the audit approach.

2. Concerns arising from the audit treatment of decommissioning provisions

76. Our client has identified two main concerns based on the auditors' public KAM disclosures in relation to accounting for decommissioning.

A. Auditors identify and treat information as material which is not present in companies' financial reports

77. First, the auditors identify and treat information as material which is not present in companies' financial reports.

78. Each auditor report describes how the decommissioning KAM was addressed in its audit procedures, including that the auditors assessed the adequacy and appropriateness of the financial report disclosure of assumptions, key estimates and judgements. The key assumptions, estimates and judgements the auditors evaluated, as identified across the auditors' reports, included:

(a) the conformity of decommissioning activities with regulation and industry practice;[104]

(b) the process for identifying legal and regulatory obligations and its reasonableness in relation to restoration costs;[105]

(c) the appropriateness of timing assumptions and/or the future cash flows against anticipated end-of-field lives;[106] and

[103] By contrast, the companies that identified decommissioning as a KAM had net provisions of USD$4,066 million (Santos), AUD$991.8 million (Beach); AUD$440.5 million (Amplitude), AUD$30.4 million (Cue); USD$64.4 million (Horizon): See Santos, *2025 Annual Report*, available here, pp 219-221; Beach, *2026 Annual Report*, available here, p 124; Amplitude, *2026 Annual Report*, available here, p 136; Cue, *2025 Annual Report*, available here, pp 56-57.
[104] Santos, *2025 Annual Report*, available here, p 267; Beach, *2026 Annual Report*, available here, p 146; Amplitude, *2026 Annual Report*, available here, p 164.
[105] Santos, *2025 Annual Report*, available here, p 267; Beach, *2026 Annual Report*, available here, p 146; Amplitude, *2026 Annual Report*, available here, pp 163-64. Cue's auditors "used our knowledge of … the applicable regulatory requirements to challenge whether the estimated restoration costs and their associated timing are reasonable": Cue, *2025 Annual Report*, available here, p 72.
[106] The auditors for Santos, Beach and Amplitude compared the timing of the future cash outflows against the anticipated end-of-field lives, cross-checking that these dates were consistent with reserve estimates and impairment calculations. Santos and Amplitude's auditors also considered the estimated dates for the commencement of

(d) the appropriateness of discount rates, inflation rates and foreign exchange rates.[107]

79. However, as set out in this letter, there are gaps in the companies' own disclosure of those assumptions, estimates and judgements. Assumptions and estimates that the auditor considered significant enough to warrant specific evaluation, and to describe in its report, is, in our client's view, the kind of information the accounting framework requires companies to disclose and reinforces their significance to users of the financial reports. This reinforces our client's view that companies are required to disclose material information in relation to discount rates, timing, and changes to underlying assumptions to comply with AASB 137 and AASB 101.

80. Examples include:

(a) **Discount rate treatment:** the auditor's report for Santos states that the auditor evaluated the appropriateness of the discount and inflation rates used to calculate the present value of the decommissioning provision.[108] However, as identified above at paragraphs 47 and 66, Santos does not disclose in its financial report the discount or inflation rates applied to the decommissioning provision, nor the sensitivity of the provision to changes in those rates.

(b) **Estimated timing for settling decommissioning obligations:** the auditors' reports for each company record that the auditors considered the estimated dates for commencement of decommissioning activities and/or compared the timing of the future cash outflows against the anticipated end-of-field lives. As identified above from paragraph 31, the quality of disclosures for the estimated timing for settling decommissioning obligations is inconsistent and limited. This is most apparent amongst smaller companies; Horizon, for example, does not disclose any estimated timing for settling its decommissioning obligations.[109] Further, almost all companies do not disclose sensitivities to changes in the

restoration activities and the possible impacts of climate-change on these estimates: Santos, *2025 Annual Report*, available here, p 267; Beach, *2026 Annual Report*, available here, p 146; Amplitude, *2026 Annual Report*, available here, p 164. The auditors for Cue considered "whether the estimated restoration costs and their associated timing are reasonable", and the auditors for Horizon assessed the "appropriateness of the Group's significant assumptions used, including the reliability and relevance of the Group's key data used in the closure plans and associated cost estimates": Cue, *2025 Annual Report*, available here, p 72; Horizon, *2025 Annual Report*, available here, p 46.

[107] Santos, *2025 Annual Report*, available here, p 267; Beach, *2026 Annual Report*, available here, p 146; Amplitude, *2026 Annual Report*, available here, pp 163-164; Cue, *2025 Annual Report*, available here, p 72; Horizon, *2025 Annual Report*, available here, p 46.

[108] Santos, *2025 Annual Report*, available here, p 267.

[109] See Horizon, *2025 Annual Report*, available here, p 65: "in most instances the removal of these assets will occur well into the future".

expected timing of cessation of production and settlement of decommissioning obligations.[110]

81. Adequate disclosure is not solely a matter for management; it also engages the auditors' obligations under the auditing standards. Under **ASA 540** *Auditing Accounting Estimates and Related Disclosures* and **ASA 700** *Forming an Opinion and Reporting on a Financial Report*, the auditor is required to evaluate whether those disclosures relating to the estimate are adequate and whether the financial report complies with the framework.[111] Where the auditor has identified a significant assumption or uncertainty as requiring specific audit attention, but the corresponding financial report provides limited or no information about that matter, our client queries whether the auditor adequately evaluated the related disclosures.

B. Whether auditors have obtained sufficient appropriate evidence to support in-situ assumptions

82. Second, our client queries whether sufficient appropriate evidence, within the meaning of **ASA 500** *Audit Evidence* and ASA 540, was obtained to support the assumption adopted by certain companies that particular offshore infrastructure, including pipelines, will be permitted to be left in-situ.[112] As set out from paragraph 53 above, this is potentially one of the most financially significant assumptions underlying the relevant decommissioning provision; if removal is required, the provision, and the associated liability, may be materially higher. Relevantly, the auditors of Beach and Amplitude were specifically put on notice at their respective 2025 Annual General Meetings of questions concerning management's reliance on the in-situ abandonment of offshore pipelines, including whether the assumption is consistent with statutory removal requirements and domestic regulatory practice.[113]

83. Based on our client's review of the audit procedures, the auditors' reports identify regulatory uncertainty concerning decommissioning and, in the cases of Santos, Beach and Amplitude, describe procedures directed to the legal and regulatory framework,

[110] See paragraph 60 above. Beach provides a partial disclosure of this sensitivity at p 124: Beach, *2026 Annual Report*, available here.
[111] Auditing and Assurance Standards Board, *ASA 540 Auditing Accounting Estimates and Related Disclosures* (**ASA 540**), available here, paragraphs 11, 13(a), 13(h)(ii), 16-17; Auditing and Assurance Standards Board, *ASA 700 Forming an Opinion and Reporting on a Financial Report* (**ASA 700**), available here, paragraph 13(d), (e).
[112] Auditing and Assurance Standards Board, *ASA 500 Audit Evidence* (**ASA 500**), available here, paragraphs 5(b), (f), 6; ASA 540, available here, paragraph 11.
[113] A representative of our client attended the AGMs as a proxy for some of these shareholders. Amplitude, *AGM 2025 Recording*, available here. Relevant shareholder questions begin at 30 minutes; See Beach, *AGM 2025 Recording*, available here. Relevant shareholder questions begin at 33 minutes.

industry practice, cost estimates and assumptions concerning infrastructure to be removed or left in-situ.[114] Whilst those procedures are relevant, the KAM disclosures do not identify whether the auditors obtained case-specific evidence directed to the likelihood that NOPSEMA would accept the particular in-situ outcomes assumed by management.

84. Knowledge of the regulatory framework, industry practice and international precedent may inform an assessment of an in-situ assumption, but does not, without more, establish that NOPSEMA is likely to approve the in-situ retention of a particular pipeline or other infrastructure. Nor does the 2026 DISR guidance indicate what NOPSEMA will approve.

85. The relevant question is whether the particular assumption adopted by management was reasonable as at the reporting date. Evidence that in-situ retention is merely capable of being proposed or assessed within the regulatory framework does not establish that NOPSEMA was likely to accept the particular proposal. Given the statutory requirement to remove offshore infrastructures; the acknowledged regulatory uncertainty as to whether departure from that requirement is available; the absence of established Australian precedent for the in-situ abandonment of certain types of offshore infrastructure;[115] and the potentially material effect on the provision, our client considers that this question requires evidence directed to the specific infrastructure and proposed outcome.

86. In this context, relevant evidence could include:

    (a) the company's submissions or other engagement with NOPSEMA concerning the proposed in-situ abandonment of particular infrastructure and any acceptance position for each proposal, being more reliable external evidence than management's own assessment;

    (b) distinguishing offshore infrastructure for which in-situ retention has been accepted by the regulator from that for which it is only assumed, and evaluating the provision accordingly;

    (c) testing the likelihood of acceptance against the regulator's published position and comparable precedent of in-situ acceptance, rather than general industry or international practice; and

[114] Each of these reports refer to "uncertainty whether the Australian regulator will approve plans for [certain] items to be decommissioned in-situ" as a reason for classifying accounting for decommissioning as a KAM. See Santos, *2025 Annual Report*, available here, p 267; Beach, *2026 Annual Report*, available here, p 146; Amplitude, *2026 Annual Report*, available here, p 163. See also Cue, *2025 Annual Report*, available here, p 72; Horizon, *2025 Annual Report*, available here, p 46.

[115] See, for example, NOPSEMA statements made at Senate Estimates regarding the in-situ abandonment of pipelines, discussed at footnote 76 above.

(d) where acceptance of in-situ abandonment is uncertain, evaluating the effect of the removal scenario on the measurement of the provision and the adequacy of any contingent liability disclosure.

87. Our client recognises that a KAM is necessarily a summary and that the absence of a particular procedure from a KAM does not establish that the procedure was not performed, or that the auditors failed to undertake particular procedures. Rather, given the significance of the assumption and the circumstances identified above, our client considers that ASIC should inquire whether the auditors obtained sufficient appropriate evidence directed to the likelihood of regulatory acceptance of the specific in-situ assumption assumed by management.

88. ASA 540 requires the auditor's procedures in relation to accounting estimates to address the risks associated with management's significant assumptions and recognises that, as the assessed risk increases, more persuasive audit evidence is required.[116] ASA 500 similarly recognises that the quantity of evidence required is affected by the assessed risk and that its appropriateness depends on its relevance and reliability.[117] These standards demonstrate that auditors are required to go beyond consideration of the regulatory framework or industry practice generally, to assess whether the evidence obtained was sufficiently relevant and reliable to support the particular in-situ assumption adopted.

89. Our client therefore considers that ASIC should assess whether the evidence obtained was sufficient and appropriate to support the particular in-situ assumption on which the provision was measured, having regard to the statutory starting point of removal, the regulatory uncertainty acknowledged by the auditors and NOPSEMA, and the materiality of the alternative removal scenario.

3. The unmodified audit opinions and questions for the auditors

90. Pursuant to ASA 700, auditors are required to form an opinion on whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.[118] The auditor must conclude whether it has obtained "reasonable assurance" about whether the financial report as a whole is free from material misstatement, due to fraud or error.[119]

[116] ASA 540, available here, see, for example paragraphs 18, 23 and 24.
[117] ASA 500, available here, paragraph A8.
[118] ASA 700, available here, paragraph 10.
[119] ASA 700, available here, paragraph 11.

91. Our client's review found that the auditors for all the companies expressed an unmodified opinion.[120] The unmodified audit opinions appear difficult to reconcile with the disclosure gaps and evidentiary questions identified above. As such, our client asks ASIC to consider:

    (a) whether the auditors adequacy assessed the companies' disclosures concerning estimation uncertainty and significant assumptions under ASA 540 and ASA 700, particularly where the auditors identified those assumptions as significant matters requiring specific audit attention;

    (b) whether the auditors obtained sufficient appropriate audit evidence under ASA 500 and ASA 540 to support the in-situ assumptions, having regard to the statutory default removal requirement and the regulatory uncertainty concerning the relevant infrastructure; and

    (c) whether the difference in KAM treatment between Woodside and other companies warrants further inquiry, including by requesting further information from the auditors regarding their audit treatment and procedures.

Our client's requests of ASIC

92. The matters raised in this letter go to precisely the disclosure failures that ASIC's FY 2026-27 financial reporting program is designed to address. That Australian oil and gas companies have one of the poorest decommissioning disclosure records of the jurisdictions recently independently assessed, combined with the systemic nature of the deficiencies identified across multiple companies and multiple reporting periods, demonstrates that ASIC's attention is warranted, both in respect of the disclosure failures identified in this complaint and at an industry-wide level. With updates to Illustrative Example D now operative, and decommissioning provisions identified by ASIC as a focus area, this is an opportune moment for ASIC to establish clear market expectations. This letter is intended to provide a detailed evidentiary basis on which it can do so.

[120] See ASA 700, available here, paragraph 16; Santos, *2025 Annual Report*, available here, p 264; Beach, *2026 Annual Report*, available here, p 143; Amplitude, *2026 Annual Report*, available here, p 160; Cue, *2025 Annual Report*, available here, p 71; Horizon, *2025 Annual Report*, available here, p 44.

93. For the reasons set out above, our client requests that ASIC:

    (a) conduct and publish a thematic review of decommissioning disclosures across Australian listed oil and gas companies;

    (b) issue regulatory guidance on the application of AASB 137 to decommissioning obligations, including the disclosures ASIC expects reporting entities to provide; and

    (c) where appropriate, pursue auditor and entity-specific regulatory action.

94. Our client also requests the opportunity to meet with ASIC to discuss the matters set out in this letter. Our client has undertaken a detailed company-by-company review of the latest disclosures referred to in this letter and would be happy to provide further analysis or make itself available to ASIC to assist with any inquiry.

95. Our client suggests that ASIC prioritise the disclosures of Santos, Woodside, Beach and Amplitude, being companies with significant offshore decommissioning liabilities. The issues identified are not confined to those companies, but they provide a useful starting point for ASIC's consideration of broader industry practice.

96. Given ASIC's stated focus on decommissioning and site-restoration provisions for FY 2026-27 and the public interest in these matters, our client would appreciate ASIC's acknowledgement of this complaint, and an indication of the steps ASIC proposes to take.

Yours sincerely





David Hertzberg
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Appendix A – The applicable disclosure framework

1. Disclosure of decommissioning and restoration provisions in Australia is governed principally by AASB 137, together with AASB 101 and AASB Interpretation 1.[121] AASB 137 requires, among other things, disclosure for "each class of provision" of:[122]

   a) the carrying amount at the beginning and end of the period (para 84(a));

   b) additional provisions made in the period, including increases to existing provisions (para 84(b));

   c) amounts used (i.e. incurred and charged against the provision) during the period (para 84(c));

   d) unused amounts reversed during the period (para 84(d));

   e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate (para 84(e));

   f) a brief description of the nature of the obligations and the expected timing of any resulting outflows (para 85(a));

   g) an indication of the uncertainties about the amount or timing of outflows (para 85(b));

   h) where necessary, major assumptions concerning future events, such as the expected time to settle the obligation (para 85(b));[123] and

   i) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement (para 85(c)).

2. Where measurement of a provision is underpinned by assumptions concerning future events, those assumptions may be sufficiently material to require disclosure. AASB 137 requires assumptions about future events to be supported by objective evidence.[124] This is a high threshold. For example, if an entity reduces its decommissioning provision based

[121] We note that, for for-profit entities for reporting periods beginning on or after 1 January 2027, AASB 101 will be superseded by AASB 18 *Presentation and Disclosure in Financial Statements*.
[122] See AASB 137, available here, paragraphs 84-85.
[123] Paragraph 48 of AASB 137 states "Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur": AASB 137, available here.
[124] See AASB 137, available here, paragraph 48.

on assumed future technological advances, this assumption should reflect the "reasonable expectation of technically qualified, objective observers, taking account all available evidence". Similarly, assumptions regarding future legislative changes must be "virtually certain".[125]

3. These disclosure obligations are reinforced by AASB 101. Where provisions are material, which in our client's view includes decommissioning provisions for the vast majority of Australian oil and gas companies, AASB 101 requires disclosure of the judgements that have the most significant effect on the amounts recognised[126] and of the assumptions and other major sources of estimation uncertainty that carry a significant risk of a material adjustment within the next financial year, including the nature of those provisions and their carrying amount as at the end of the reporting period.[127] Together, these require companies to disclose enough for users of the financial reports to understand the estimation uncertainties, key judgements made, and sensitivity of those judgements to changes in assumptions.

4. The disclosure obligations in AASB 137 have since been reinforced by new guidance. By AASB 2026-1 *Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements*, which applies to annual periods beginning on or after 1 July 2025, the Australian Accounting Standards Board updated Illustrative Example D to include a new sub-example 2A (Decommissioning and site-restoration obligations) of the Guidance on implementing AASB 137.[128] Illustrative Example D(2A) addresses an entity whose decommissioning costs are to be incurred so far in the future that, once discounted, their effect on the carrying amount of the provision is immaterial. It confirms that, even in that case, the entity is required to disclose the information set out above at paragraph 1, in particular the expected timing of the outflows, the uncertainties about the amount or timing of those outflows, and the major assumptions concerning future events, such as when the entity expects to close its facilities. The immateriality of a provision's carrying amount is therefore no answer to a failure to disclose this information. The clear implication arising from Illustrative Example D(2A) is that, if the information must be disclosed in circumstances where the carrying amount for the provision is immaterial, then such information must be disclosed when the provision's carrying amount is material.

[125] AASB 137, available here, paragraphs 49, 50.
[126] AASB 101, available here, paragraph 122.
[127] AASB 101, available here, paragraphs 125, 129.
[128] See Australian Accounting Services Board, *AASB 2026-1 Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements* (January 2026), available here.

5. Illustrative Example D(2A) notes that factors affecting materiality include high costs to settle the decommissioning obligation, significant risks of early obligation settlement, and the impact of economic, regulatory and legal factors in the industry and jurisdiction in which the company operates, "mak[ing] the information about the [decommissioning obligations] more likely to influence the decisions that primary users of [the entities'] financial statements make on the basis of the financial statements".[129] In our client's view, each of these factors arise in relation to the decommissioning information the subject of this letter, making that information material and required to be disclosed by Australian oil and gas companies.

6. The International Accounting Standards Board has also added Illustrative Example IV-I to **IFRS** 18 *Presentation and Disclosure in Financial Statements*, which will be operative in January 2027. Example IV-1 illustrates how an entity applies the requirement in paragraph 20 of IFRS 18 and makes materiality judgements in the context of financial statements. The example illustrates a scenario in which these judgements lead to additional disclosures beyond those specifically required by International Financial Reporting Standards.[130]

7. Illustrative Example IV-1 is important because it demonstrates that materiality can go beyond financial impacts on assets and requires companies to assess more broadly what information could be material for users, such as making additional disclosures about the effect of a transition plan. As a result, entities may need to disclose information that is not obviously material if such information is still important to investors and necessary to give a true and fair view of the financial statements.

8. Our client is concerned that companies are failing to meet the above requirements in a number of respects, as explained in the body of this letter.

[129] AASB 137, available here, p 27.
[130] See International Financial Reporting Standard, *Disclosures about Uncertainties in the Financial Statements* (November 2025), available here, pp 6-10.