

DECOMMISSIONING OF OFFSHORE  
STRUCTURES

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# Decommissioning of Offshore Installations

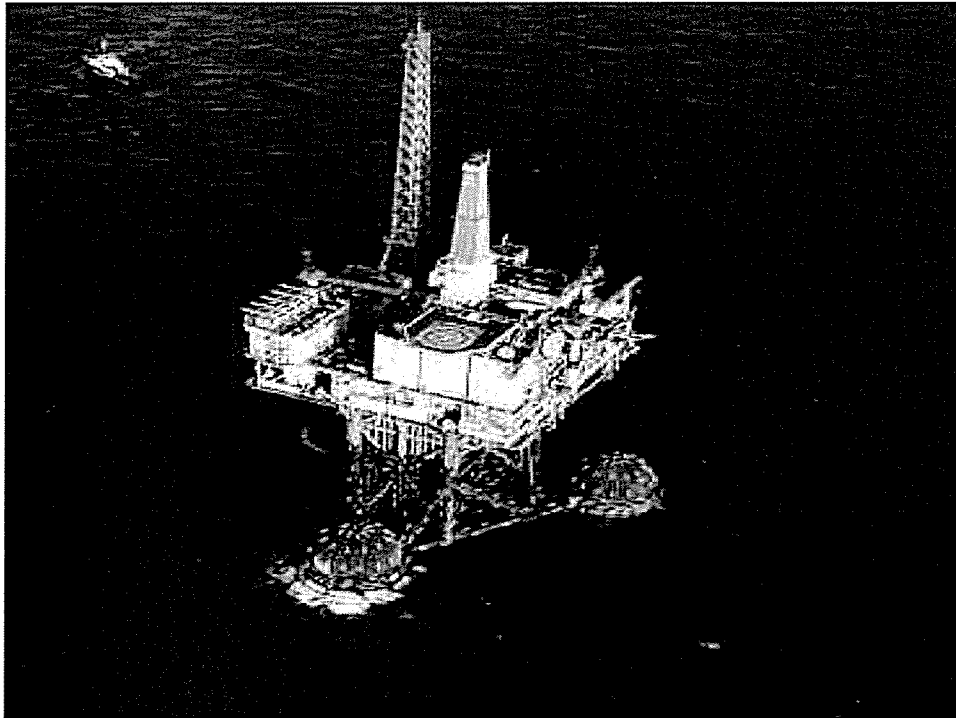
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## Introduction

- To provide an overview of recent legal developments in respect of the Decommissioning of Offshore Installations - with particular reference to the UKCS
- Discuss the relevance of the UK regime to the New Zealand situation

## Framework for Discussion

- The decommissioning problem
- International legal framework
- The UK legal regime
- The NZ industry - is a Decommissioning Regime necessary?
- The NZ legal regime
- Conclusions and future challenges





## The Decommissioning Problem

- What is Decommissioning ?
- Will be one of the fastest growing activities in the offshore sectors
- 6500 platforms worldwide over 25 years - \$US 20billion
- 235 of these in the North Sea area 12 significant fields completed - five scheduled
- What are the options ? - re-use ? disposal ashore? environmental impact ?

## International Legal Framework

- London Dumping Convention 1972
- 1982 UN Convention on the Law of the Sea - Art 60(3)
- Oslo Paris Convention on Protection of the Marine Environment of the North East Atlantic (OSPAR) - 1992

*- dumping at sea*

*OSPAR*

## ■ OSPAR Decision 98/3

### ■ key elements - technical factors

- ◆ dumping prohibited
- ◆ presumption in favour of land disposal
- ◆ installations <10,000 ton removed ashore *jacket weight (pylons etc)*
- ◆ concrete footings exception - *fixed platform* - *subject to assessment*
- ◆ all installations installed after 9 February 1999 to be removable

## The UK legal regime

### ■ Petroleum Act (UK) 1998

- ◆ Section 29 - Notice requirement for Abandonment Programme
  - ✦ Secretary can require submission of a costed decommissioning programme
- ◆ Section 30 - Service of Notice
  - ✦ Owners/Operators at first instance
  - ✦ normally served on Owners/Operators/JOA parties
  - ✦ joint and several liability for execution (S36)
  - ✦ notice to be served on commissioning
  - ✦ parties obligated from production commencement

### ◆ Section 31 - Financial Security Arrangements

- ✦ may serve any connected party - eg parent company
- ✦ JOA parties may withdraw/change on application to secretary
- ✦ Incoming party liable for costs as field nears end of life
- ✦ If financial security weakened secretary may not exercise discretion
- ✦ Enforcement of security always problematic

### ✦ Acceptable forms of security

- Letter of Credit
- On demand performance bond
- 100% security required

### ✦ Unacceptable Security

- Parent Company Guarantees

*- jurisdiction + enforcement?*

- ◆ Section 33 - State may act and recover costs
- ◆ Section 38 - Parties' financial resources

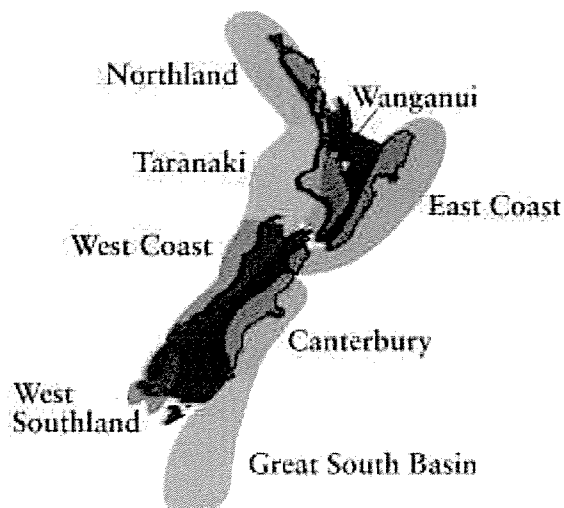
## ■ The Guidance Notes

- ◆ Consultative Document
- ◆ Designed to Implement OSPAR requirements
- ◆ Six Stage plan
- ◆ OSPAR removal guidelines to be adhered to
- ◆ total removal unless derogation approved
- ◆ Disposal on land - monitoring and tracing.

## ■ The Abandonment Plan

- ◆ Approval the result of the consultative process
- ◆ must meet OSPAR requirements (save for derogations)
- ◆ Safety Case approval
- ◆ Description of Installation
- ◆ Disposal Options
- ◆ Costs/Timetable
- ◆ Supporting studies

## New Zealand Exploration Areas





## New Zealand Exploration Industry

- NZ under-explored
- Eight recognised petroleum basins
  - ◆ estimated reserves - 127m brls of oil , 2.4 trillion cubic feet of gas
  - ◆ Maui - 8.4million cft gas, 75m brls of oil
  - ◆ Accurate assessment of reserves difficult

### ■ Current Exploration Activity

- ◆ 50 exploration permits 1999
- ◆ 30 foreign, 12 domestic companies
- ◆ Positive view of potential
- ◆ New Zealand Oil and Gas announcement
- ◆ Future extraction likely from new installations
- ◆ Future Decommissioning requirements

## New Zealand Legislative Regime

- No decommissioning regime
  - ◆ not consolidated in one piece of legislation
  - ◆ No positive burden on parties regarding costs
  - ◆ lack of economic imperative
- 1996 Protocol to the Dumping Convention
  - ◆ adopted by NZ 7 Nov 1996
  - ◆ Art 2 - elimination of pollution from dumping
  - ◆ Annex 1 - Offshore installations may be dumped
  - ◆ Annex 2 - Waste Assessment Programme

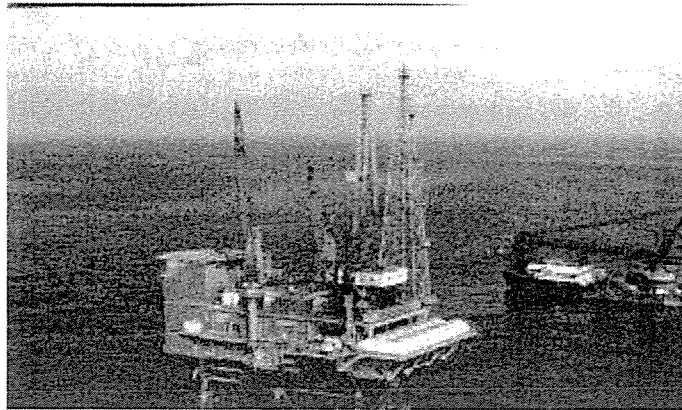
- Maritime Transport Act 1994 - Marine Protection Rules Part 180 - Advisory Circular - Dumping of Waste or other matter
  - ◆ Detailed guidance on dumping
- Resource Management Act 1991
- Maritime Transport Act 1994
- IMO Guidelines - IMO Assembly Resolution A672 (16)

■ Health and Safety in Employment  
(Petroleum Exploration and Extraction)  
Regulations 1999

- ◆ Under HSE Act 1982
- ◆ Operators duties vis abandonment
- ◆ Technical matters addressed
- ◆ Section 22 - Abandonment Safety Case

◆ Schedule 4 -Safety Case requirements

- ✦ Abandonment of wells
  - ✦ dismantling installation
  - ✦ description of structure
  - ✦ operation details
  - ✦ personnel requirements
- ◆ Safety Case is part of a Decommissioning Programme



## Is a decommissioning scheme necessary ?

- New Zealand - strong environmental awareness
- International law requires abandonment - ie IMO removal requirement
- Future Installations likely
- UK regime detailed - places financial burden on Owners/Operators/JOA parties

## ■ Financial Security Arrangements

- ◆ No equivalent S29 notice on commissioning
- ◆ No FSA requirements for decommissioning
- ◆ No State option to execute program and recover cost
- ◆ No clear delineation of tonnage limits for removal/dumping

## Concluding Comment

- Immediate need for a Decommissioning Programme may not be apparent
- Given future exploration and extraction possibilities, opportunity exists to implement a scheme that addresses significant financial and environmental concerns