



Spindletop Legal &  
Commercial

# Offshore Decommissioning

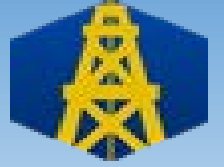
An analysis of the UK  
approach and  
considerations for  
New Zealand

Sean Rush, Spindletop - April 2015





## Overview



- Introduction
- International Regulatory Regime & UK approach
- OSPAR
- Pipelines
- Time scales and Cost data
- UK regulation and NZ equivalent
- Security for decommissioning costs
- Decommissioning in context – a broader discussion
- Q & A



# About: Sean Rush LLB (VUW), LLM (distinction) Petroleum Law & Policy (Dundee University) Centre for Energy, Mineral, Petroleum Law & Policy



1987 – 1994 Napier/Wellington  
Victoria University, LLB  
Lawyer, Napier 1992 - 1994



Eni - Legal Adviser to UK  
operations – 1996 - 1999



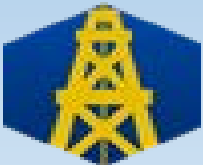
Petro-Canada - Head of Legal North  
West Europe – 2001 - 2010



Memery Crystal LLP – Partner, Head  
of Oil and Gas, London 2010 - 2012



Todd Energy – Commercial Manager 2013 –  
2015 Wellington NZ – NZ domestic oil and gas



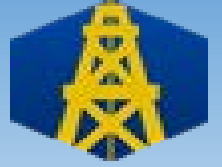
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More at <http://www.spindletop.co.nz/wp-content/uploads/Sean-Rush-Profile.pdf>

## Experience with Government/Trade Associations

- Oil & Gas UK Legal drafting committee for the UK Decommissioning Security Agreement
- Member of Oil & Gas UK's decommissioning relief deed group
- Adviser to DECC/SoS on Oil & Gas infrastructure matters
- Member of 'PILOT' the UK Government – Industry steering group
- Chairman of IBA's UK Energy Lawyer's Group and member of IBA Work group on EU regulatory reform re Macondo

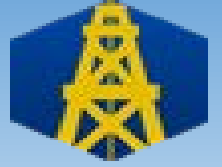
## International Regulatory Regime: UK and differences to NZ



- UNCLOS 1982 Art 60 prescribes installations to be removed per accepted standards established by IMO
- IMO Guidelines Resolution A.672(16) 1989 on the Removal of Offshore Installations
  - Non-removal or partial removal consistent with IMO guidelines is permissible.
  - Prescribed standards referring to water depth, weight and effect on navigation and marine environment should be taken into account
  - Installations that might form enhanced habitat if left on the sea bed may also be left wholly or partially in place
  - Removal at an unacceptable risk to life, marine environment or cost may also be left in place
  - Liability and financial security for installations left in place need to be clear
- OSPAR Decision 98/3 for installations. No NZ equivalent



## UNCLOS – ‘OSPAR’: North Atlantic Regional Agreement



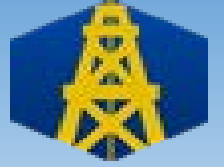
### OSPAR Decision 98/3 requirements

- No dumping or leaving in place of installations in the marine environment
- Must be brought ashore for re-use, recycling or final disposal
- Possible exceptions for large concrete substructures, footings of jackets >10,000 tes, concrete anchor bases and damaged structures
- No requirements for pipelines or wells

### OSPAR Derogations (at 2010)

- Ekofisk tank – concrete - Norway
- Frigg TP1 and CDP1 – concrete – UK
- Frigg TCP2 – concrete – Norway
- Frigg MCP01 – concrete – UK
- North West Hutton – steel footings – UK

## Pipelines – UK Guidance



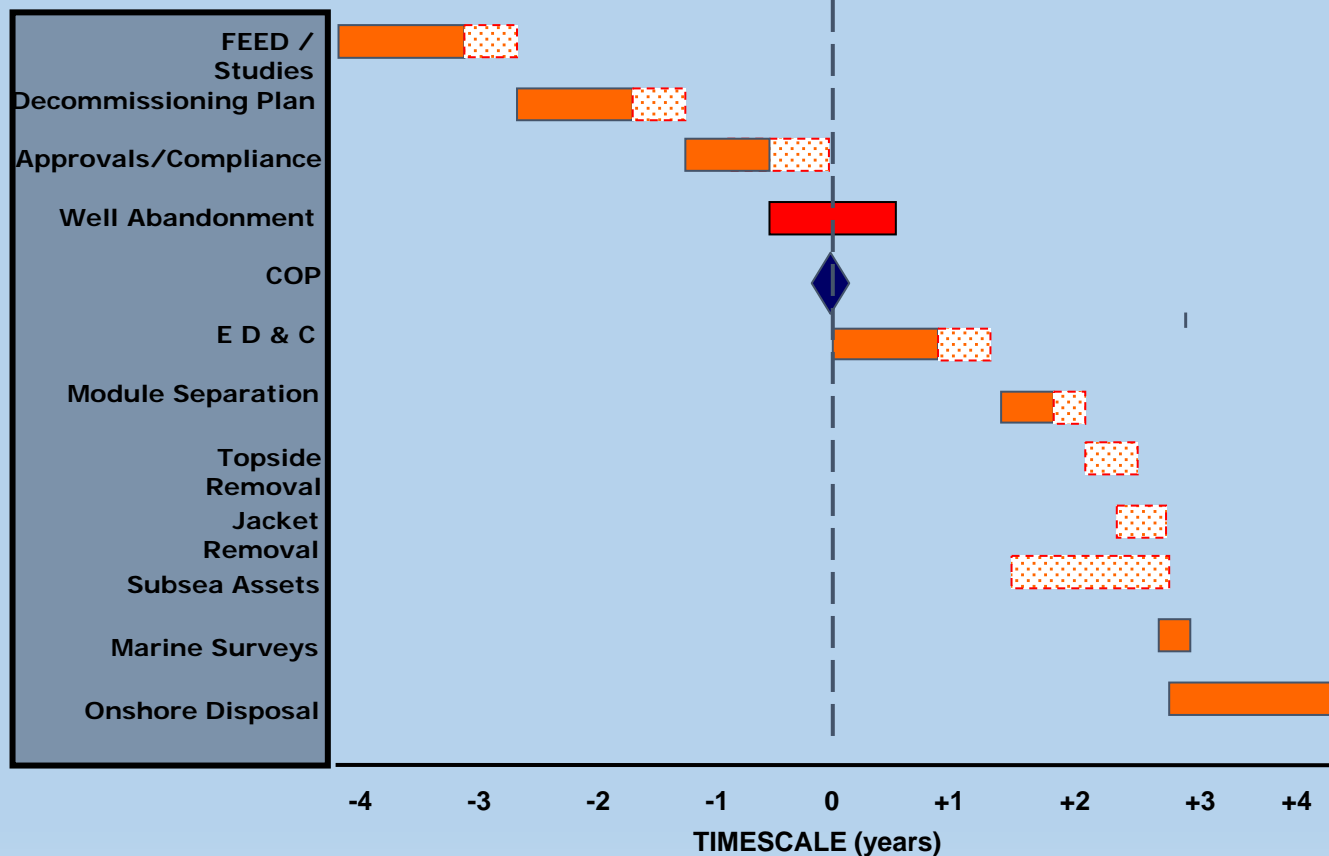
- OSPAR does not apply
- Decisions will be taken in the light of individual circumstances;
- The potential for reuse of the pipeline in connection with further hydrocarbon developments should be considered
- All feasible decommissioning options should be considered and a comparative assessment made;
- Any removal or partial removal of a pipeline should be performed in such a way as to cause no significant adverse effects upon the marine environment;
- Any decision that a pipeline may be left in place should have regard to the likely deterioration of the material involved and its present and possible future effect on the marine environment.
- Account should be taken of other users of the sea.





## Time scales and Comparative Costs

### ON GOING PRODUCTION      DECOMMISSIONING



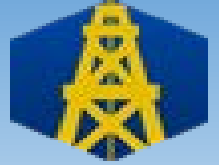
From Iain Riach, Wood Group, Amsterdam  
August 2010

Install-ations	Leave in Place	Removal	Unplann- ed event	Estimate year
Ekofisk tank	320	650		1998
Frigg TCP2	94	246		2003
TP1	50	360		2003
CDP1	43	206		2003
MCP01	82	516	570-890	2006
N W Hutton	163	195		2005
"ano"	300	390-420		2010

From Keith Mayo, DECC presentation August  
2010

## UK Decommissioning Regime - Overview

See: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69754/Guidance\\_Notes\\_v6\\_07.01.2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69754/Guidance_Notes_v6_07.01.2013.pdf)



FDP Approved



S29 Issued



Decom  
Program  
Approved



Security  
Sought

### Pre-development

- Triggers right for SoS to require submission of a decommissioning programme
- Brings in parent and other group companies
- Liability is joint and several
- Maintained while a recipient of s.29

- Approval of Decommissioning Programme
  - Incl.s ongoing monitoring
  - Triggers a right to require financial security

- AA rated (S & P) UK located LoC/cash
- Decommissioning Security Agreement

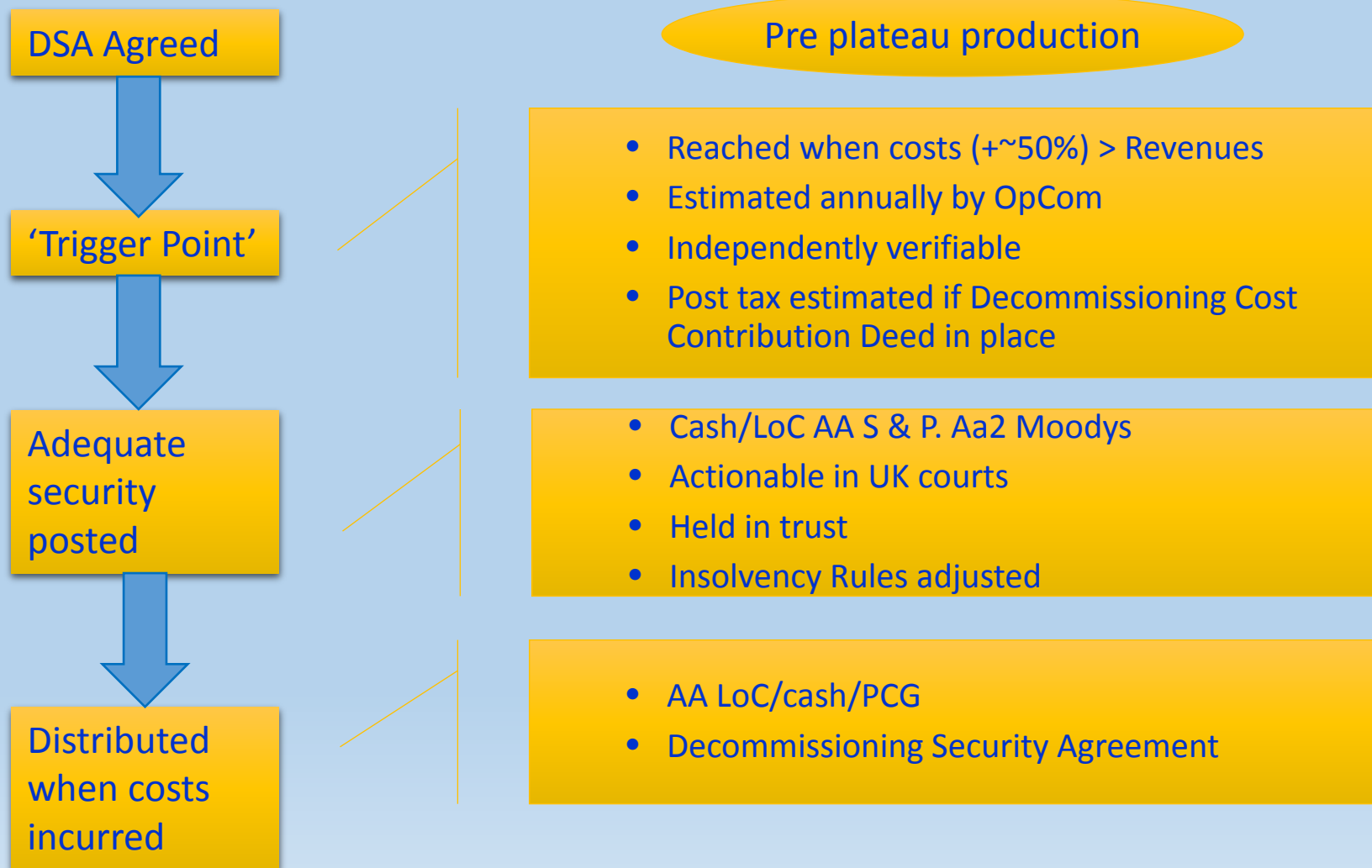


FDP  
Approved.  
Bond can be  
sought

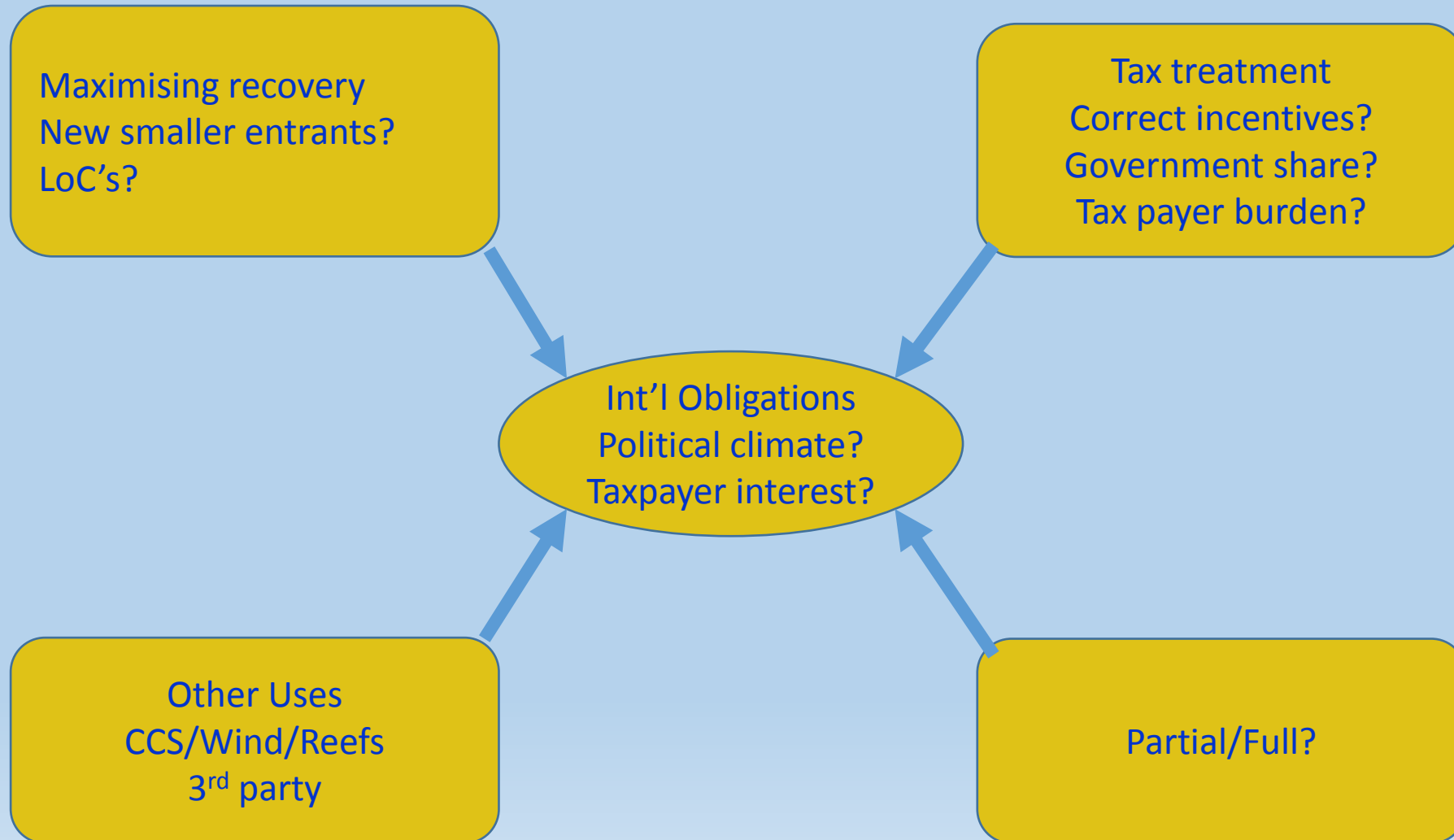
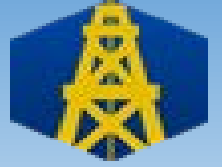
Marine  
consent if  
new. s.65(1)  
EEZ security.

Point of difference is in  
timing. Decom plan may  
be submitted at end of  
field life. Too late for  
security.

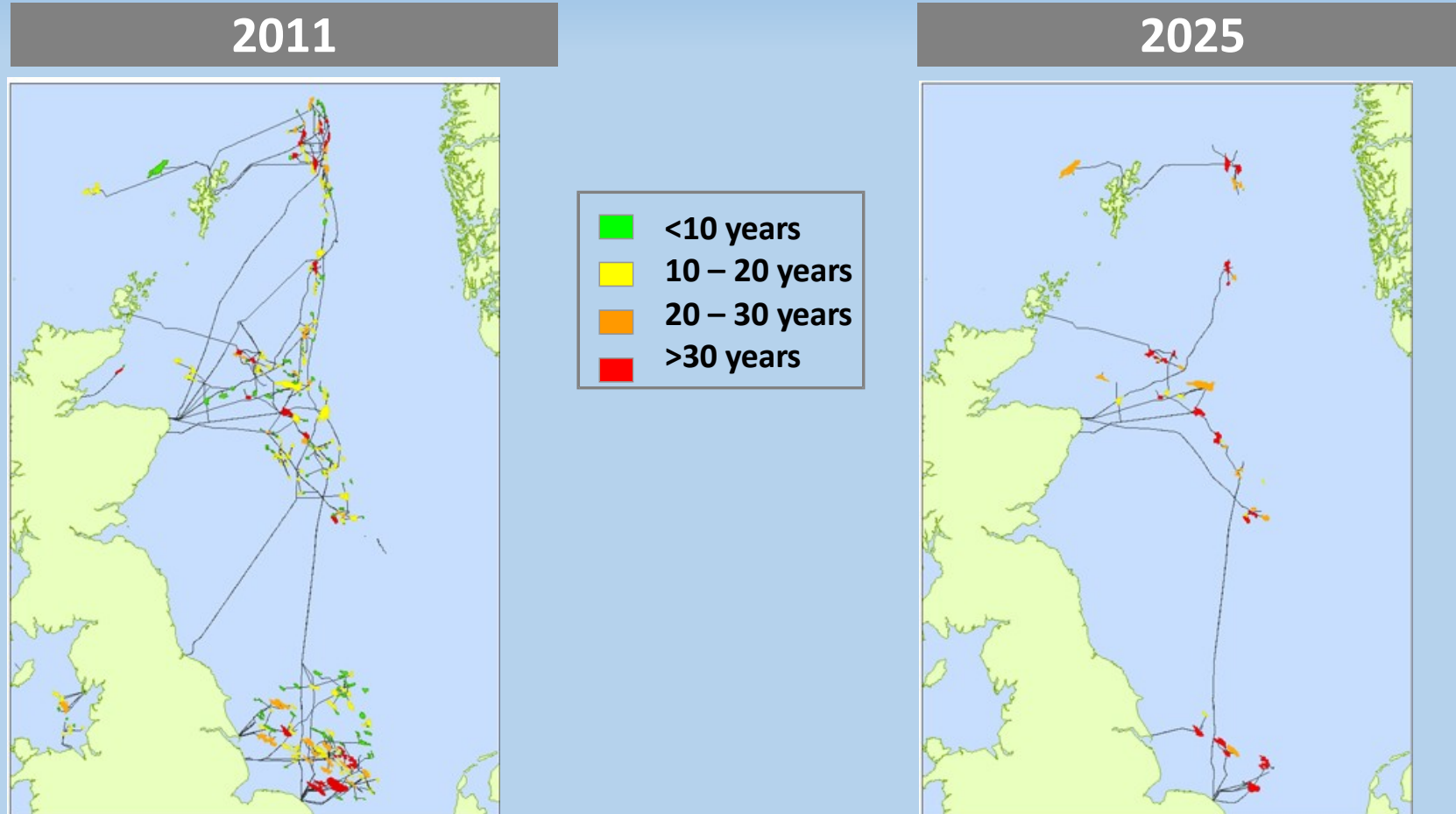
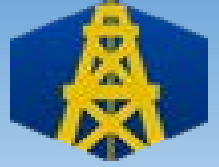




## Decommissioning in Context – a Broader Discussion

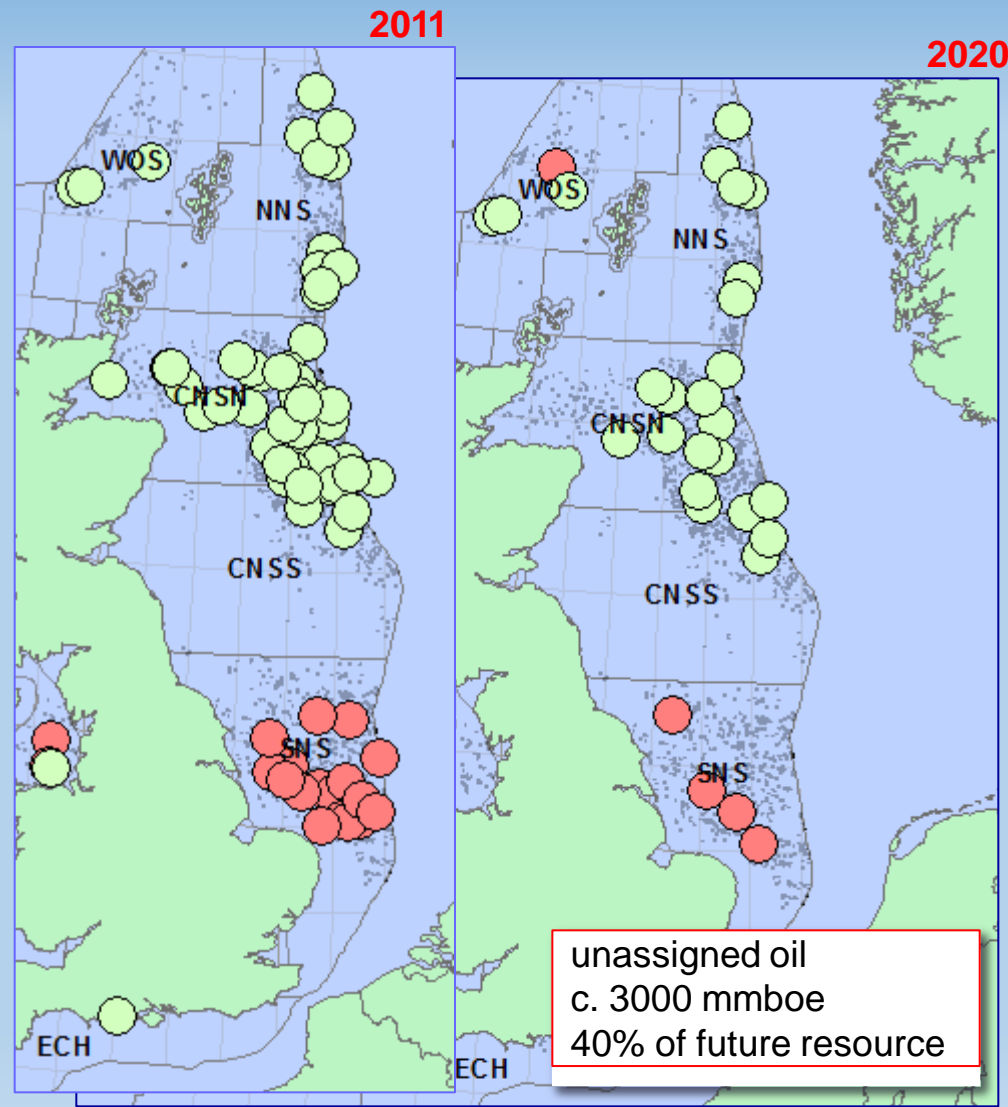
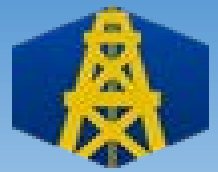


## Discussion of Context - Maximising Recovery - 3<sup>rd</sup> party use



### UK risks losing key infrastructure prematurely

*Modified after Toole, S. , A Government Perspective on Ageing North Sea Installations & Infrastructure, Offshore Europe  
September 2011*



But by 2020, the areal coverage of “live” hubs appears to shrink to less than 50% of the area containing prospects or discoveries.

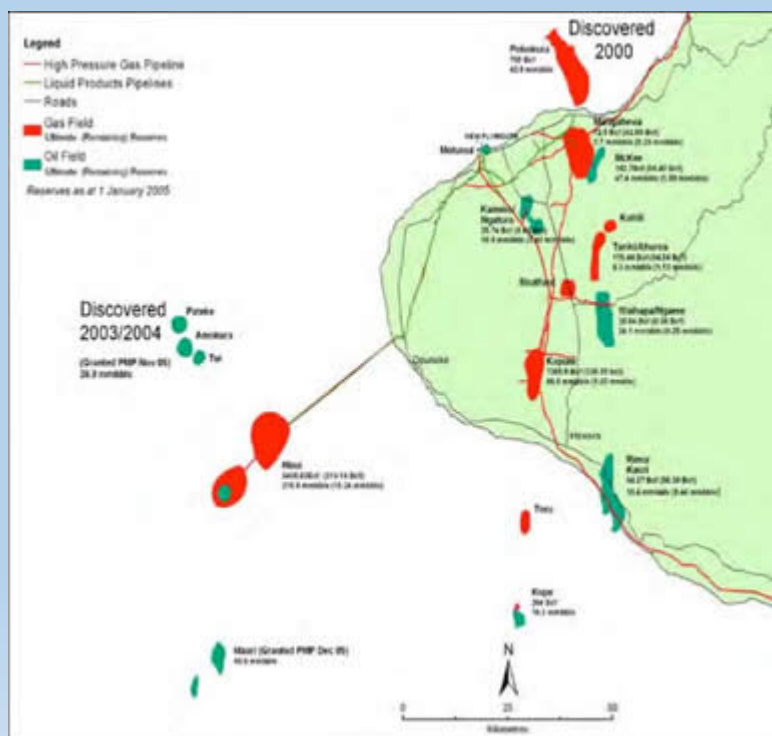
Some 3000 mmboe would remain “unassigned” to hubs and would require either standalone development or extended hub sweep.



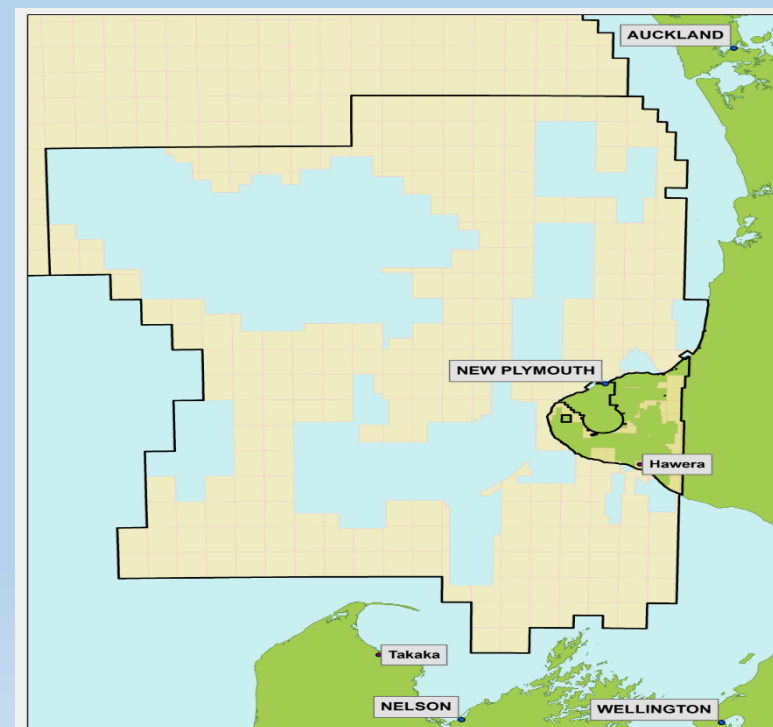
## Discussion of Context: Timing of Decommissioning



- Consider what is in the 'sweep' of current infrastructure
- Marketability of prospective areas with/without infrastructure
- Consider 3<sup>rd</sup> party access rights?

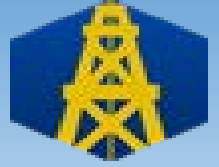


## Current Infrastructure



## Block offer 2015

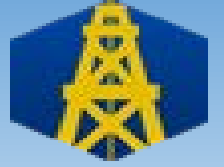
## Discussion of Context : Rigs to Reefs : Gulf of Mexico



- Rigs to Reef Program in Louisiana Administered by the Department of Wildlife and Fisheries (LDWF)
- LDWF coordinates application approvals or denials with the MMS
- If a good candidate for reefing, permits from the US CoE are required
- Legal title and liability for the jacket turned over to the state of Louisiana after reefing
- LDWF staff onsite to witness reefing event
- Monetary donation by operator to LDWF rigs to reef program required



## Discussion of Context : Extent of decommissioning



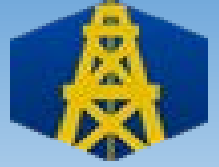
### Partial or Full removal

- What is the best solution for the environment?
- Cost to tax payer?
- Are there employment or other benefits?
- Government share – certainty for IOCs
  - Insolvency legislation?
  - Do the carry back provisions provide appropriate incentives?



Decommissioning on the platform as opposed to heavy lift and remove

# Q & A



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In pack:

Decommissioning Security on the UKCS – Securing the Future Today

International Bar Association – Submissions to EU re Regulatory