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NORTH SEA DECOMMISSIONING

North Sea Decommissioning

Prospect Law works with lawyers and non-lawyer industry experts to provide a comprehensive advisory service for North Sea decommissioning projects. We take an innovative approach, particularly when considering allocation of risks and responsibilities.

Our key objective is to ensure that uncertainties are minimised and costs controlled within an effective incentive framework, whilst delivering on the Central Obligation in the 'MER UK Strategy' to *"take the steps necessary to secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath UK waters."*

Industry practice for a whole range of operational contracts in the North Sea is to operate on a "hold harmless" basis. As a generalisation, each contracting party takes responsibility for its own people and property. Clarity in risk allocation provides certainty, reduces the potential for costly litigation to establish fault, and avoids a multiplicity of insurances for the same risk. This approach has been embraced by LOGIC and has the support of the majority of the major oil companies. As new contractual and ownership structures are created to embrace decommissioning, this approach to risk allocation may be supplemented with shared risks and incentives to support collaborative working and alliancing.

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Decommissioning of oil & gas installations on the UK continental shelf is governed by a significant body of law and regulation, much of which is bespoke to the sector. Contractual allocation of roles and responsibilities for the delivery of decommissioning projects must be consistent with the closely regulated regime applicable to offshore installations, including requirements relating to operational control of installations. Statutory duties, limitations on the ability of parties to delegate or share the discharge of those duties, and the roles and powers of the Oil and Gas Authority, BEIS and HSE will all need to be taken into account.

OSPAR Convention

The basis for UK legal obligations in respect of North Sea decommissioning is the [Convention for the Protection of the Marine Environment of the North-East Atlantic \(OSPAR\)](#). OSPAR is binding on the UK as a matter of international law.

The general rule under OSPAR is that installations must be completely dismantled and removed. Any application to the OSPAR Commission for a derogation from this general rule will need to be carefully prepared and supported by a “comparative assessment”.

Petroleum Act 1998

The principal UK legislation governing North Sea decommissioning is the [Petroleum Act 1998](#). The Petroleum Act establishes the legal framework under which the UK government (via the OGA) grants rights to oil & gas companies to explore for and produce hydrocarbons in defined areas and for defined periods.

The Petroleum Act imposes statutory obligations and liabilities for decommissioning on all licence holders on a joint and several basis. Those obligations drive the timing, scope and cost of decommissioning.

The main regulatory document required under the Petroleum Act for a decommissioning project is the “abandonment programme” (often referred to as the “decommissioning plan”). This document is required from the licensees under the Act and must be submitted to BEIS for approval.

Infrastructure Act 2015

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The Infrastructure Act 2015 gives statutory force to the central objective of the MER UK Strategy – maximising economic recovery of UK oil and gas resources. The Act places obligations on both the OGA and industry to act in accordance with the MER UK Strategy. It also provides for an industry levy to fund the OGA.

Energy Act 2016

The Energy Act 2016 established the OGA as an independent regulator with regulatory powers and functions transferred from the Secretary of State to the OGA – implementing the recommendations of the 2014 Wood Report on improving regulation and maximising recovery of UK offshore oil and gas. The Act sets out a range of regulatory powers, including rights of access to meetings and information.

For further information please contact Jonathan Leech or Rupert Cowen on 020 7947 5354 or by email on rcc@prospectlaw.co.uk or jrl@prospectlaw.co.uk.

CONTACT

For initial enquiries, please contact Adam Mikula on adm@prospectlaw.co.uk or 020 7947 5354.



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[Accessibility Statement](#)

23 Berkeley
Square
London
W1J 6HE

T: +44 (0)20
7947 5354
F: +44 (0)20
7665 6650



E: info@prospectlaw.co.uk

© Prospect Law Ltd