

Decommissioning Governance in emerging environmentally challenging jurisdictions: Lessons from the North Sea.

Professor Tina Hunter

School of Law

Director, Centre for Energy Law



Overview

- Meaning of 'decommissioning governance'?
- Governance in the North Sea
 - Norwegian
 - UK
- The good, the bad and the ugly of existing governance arrangements
- Governance of the Arctic – why so special
 - Materials
 - Location
 - Transocean Winner
- 'Soft' and 'Hard' decommissioning
- Evidence-Based governance in the Arctic
 - Using experiences in the North Sea

What is decommissioning governance ?

- The laws, mechanisms, and processes relating to the shut-down and removal of structures form a jurisdiction
 - Includes
 - Laws – primary provision in petroleum framework but also
 - pollution law, Health and safety, environment, etc
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Why an application to the Arctic?

- Arctic almost a 'new' petroleum province – opportunity to design all facilities for ease of removal
- Several 'new' provinces
 - Greenland
 - Iceland
 - Russia
- Special requirements due to cold, waves, and ice.
- Materials very important



North Sea decommissioning governance: international and regional law

- Basic international law requirement under UNCLOS Part XII, esp a192 and a194
- The Brent experience –
 - May be legal but is it acceptable to the greater public
- OSPAR Decision 98/3 – result of Brent Spar fiasco
 - Leaving wholly or partly in place disused installations is prohibited
 - Can leave if competent authority gives permission to leave if meet criteria



Norwegian Governance

- *1985 Petroleum Activities Act* – (peak time of commencement of production) removal of installations regulated under s30 –
 - State right to take over OR
 - Remove within 2 years.

Thus:

**PARTIES KNEW THE REQUIREMENTS
PRIOR TO INSTALLATION**

If the state does not wish to take over installations with accessories, the Ministry may require, within 2 years after the use of the installations has been terminated permanently, and in any case within 2 years after the licence has lapsed, that the installations shall be wholly or partly removed within a time limit stipulated by the Ministry, or that measures shall be taken to prevent them from causing any damage or inconvenience. The obligation to remove installations etc., rests with the owner of the installations at any time. Ownership of the installations may not be transferred without the Ministry's consent. If demands as mentioned above are not complied with, the Ministry may undertake the necessary measures for the owner's account and risk. The costs of such measures may be collected by distraint.

In the event that the state, after the expiry of the production licence or after the use of the installations has terminated permanently, requires that the installations shall be removed, the mortgages thereon shall lapse. The same applies if the state takes over the installations; in such cases, however, the rights of use established with the Ministry's consent shall remain in force.

Norwegian Governance 1996 Petroleum Activities Act

Section 4-2

Plan for development and operation of petroleum deposits

If a licensee decides to develop a petroleum deposit, the licensee shall submit to the Ministry for approval a plan for development and operation of the petroleum deposit.

The plan shall contain an account of economic aspects, resource aspects, technical, safety related, commercial and environmental aspects, as well as information as to how a facility may be decommissioned and disposed of when the petroleum activities have ceased. The plan shall also comprise information on facilities for transportation or utilisation comprised by Section 4-3. In the event that a facility is to be placed on the territory, the plan shall in addition provide information about what applications for licences etc. have been submitted according to other applicable legislation.

Norwegian Governance -continued

Section 5-1

Decommissioning plan

The licensee shall submit a decommissioning plan to the Ministry before a licence according to Section 3-3 or Section 4-3 expires or is surrendered, or the use of a facility is terminated permanently. The plan shall contain proposals for continued production or shutdown of production and disposal of facilities. Such disposal may inter alia constitute further use in the petroleum activities, other uses, complete or part removal or abandonment. The plan shall contain the information and evaluations deemed necessary in order to make a decision according to Section 5-3. The Ministry may require further information and evaluations, alternatively require a new or amended plan.

Unless the Ministry consents to or decides otherwise, the decommissioning plan shall be submitted at the earliest five years, but at the latest two years prior to the time when the use of a facility is expected to be terminated permanently. A corresponding time limit shall apply when a licence granted pursuant to Sections 3-3 and 4-3 expires, provided the licence expires before the use of the facility is expected to be terminated permanently.

UK: Petroleum Act 1998

- Part IV Abandonment of Offshore Installations – SoS **MAY** require a programme setting out measures for abandonment of offshore installation/pipeline
 - discretionary, not mandatory
 - Legal Requirements also in Energy Act 2008 (s72-74)
- Guidance notes for decommissioning
- Decommissioning can cause environmental concerns – eg Transocean Winner at Dalmore Bay



Transocean Winner © AP/CANPIX

What have we learned? Lessons for the Arctic

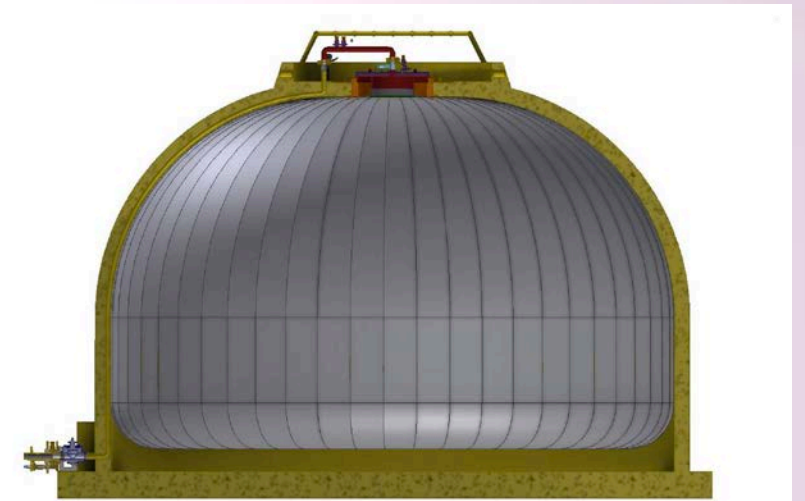
- Decommissioning needs to be considered in initial field development plan
- Will dictate how to design production facilities (PAA, s4-2)
- ‘**Hard**’ decommissioning the most difficult
 - concrete platforms, very large structures, etc eg Condeep
 - Need to know what size and materials can be removed



Prirazlomnaya Platform:
Photo: Gazpromneft via Kremlin.ru)

What have we learned? Lessons for the Arctic

- ‘Soft’ decommissioning easier - structures designed to be removed easily and essentially ‘mobile’
- Soft decommissioning important - use of new technologies to ensure easy
 - – eg Kongsberg subsea storage unit for oil/condensate
 - Use of FLNG instead of platform and processing facility for gas production



Professor Tina Hunter
thunter@abdn.ac.uk