

# **Decommissioning in an International Context**

**Legal & Financial issues**

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# The International Legal Framework

- The Geneva Convention, 1958
- The United Nations Convention on the Law of the Sea, 1982
- The International Maritime Organization, IMO, 1989
  
- London Dumping Convention, 1972
- Regional Conventions.

# Decommissioning framework, Norway

Petroleum Act 1996

Decommissioning of offshore oil and gas installations and  
pipelines



# Section 5-1 Decommissioning plan

- The licensee shall submit a decommissioning plan to the Ministry before a license expires or is surrendered, or the use of a facility is terminated permanently.
- The plan shall contain an impact assessment and a disposal plan for facilities.
- The decommissioning plan shall be submitted 2 to 5 years prior to the time when the use of a facility is expected to be terminated permanently.

## Section 5-4. Liability,

- Residual liability rests upon the Licensee or owner of the installation, unless the Ministry decides otherwise.
- Transfer of future maintenance and liability for installations can be taken over by the State.
- The State shall then be given economic compensation.



# Section 5-6

## Takeover by the State

- The State has a right to take over the licensee's fixed facility when a license expires, is surrendered or revoked, or when the use of such facility has been terminated permanently.
- The King decides with binding effect if and to what extent compensation shall be paid for the takeover.

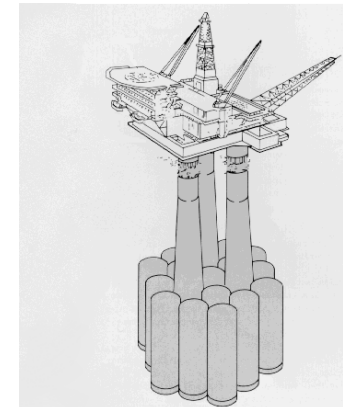
# Disposal of concrete facilities

To study technological challenges and aspects related to health, safety and environment in connection with disposal of concrete facilities on the Norwegian continental shelf.

Study; Norwegian Petroleum Directorate (NPD), Petroleum Safety Authority Norway (PSA) and the Climate and Pollution Agency (Klif)

## **Conclusion;**

Abandonment of the concrete facilities offshore could have fewer consequences for health and environment than landing the facilities for dismantling and material recovery.



# Overview of potential environmental consequences of abandoning concrete facilities offshore, or disposing of the facilities onshore

SOURCE; KLIF,NPD,PSA study

Activity	Potential sources of pollution	Environmental consequences	Concern	Positive elements
<b>Offshore abandonment</b>	Entire concrete facility	Potential leakage of pollution to water column and sediments, which may affect habitats over the long term.	Structure's physical presence on the seabed.	Less energy consumption and emissions to air than for refloating, transport and scrapping  No disturbance of biological diversity on and around the concrete facility
			Not possible to recycle steel or concrete from the installation.	
			Actual amounts and concentrations of environmental toxins in the structure.	
			Potential risk associated with navigation and commercial fishing.	
<b>Refloating</b>	Energy consumption and emissions to air from vessel, equipment and cranes.	Pollution from discharges to water and emissions to air.	Leakage of pollution to the water column and sediments, which may affect habitats for marine flora and fauna.	The original natural condition will be re-established over time.
	Loss of equipment/ballast, etc.	Direct impact on marine life and indirect impact associated with disturbing polluted sediments.	Reduced biological diversity.	



<b>Transport</b>	Energy consumption and emissions to air.	Local reduction in air and water quality	Accident/damage to the installation in connection with transport.	None
	Accident/damage to vessel or the installation.	Discharge of pollutants to sea.	Obstructions/remnants on the seabed.	
			Loss of the installation.	
<b>Landing</b>	Energy consumption and emissions to air	Local reduction in air and water quality.	Access restrictions.	None
	Use of explosives and/or mechanical cutting.	Disturbing the local environment in the form of noise and dust.	Leakage of pollution to the water column and sediments, which may affect habitats for flora and fauna with associated food chains.	
	Sediment disturbances during refloating and placement on the seabed outside receiving facility/quay.	Mobilisation of sediments with associated increased turbidity in the water column.	Remnants on the seabed following landing activities.	

<p>• Rectangular S</p> <p><b>Scrapping and disposal onshore</b></p>	Physical	Visual impact, disturbance in the local environment as regards noise and dust.	General disturbance of the local environment. Physical presence and significant area occupation.	<p>Access to concrete and reinforcement bars which can be reused or material recycled</p>
	Energy consumption and emissions to air, through use of cranes, crushing works and vehicles, etc.	Substantial emissions to air in order to crush concrete in relation to extraction in conventional quarries.	Local/regional reduction in air quality.	
	Removal and treatment of marine fouling.	Odour. Discharge of excess water with particles. Noise	Polluted paint/concrete containing hazardous substances in fouling.	

# Financial Issues

- Who is responsible for the decommissioning & removal costs ?
- Financial obligation and security.
- Provisions – allocation of funds.
- Reliable cost estimates.
- Tax issues.
- Liability
  - Legal
  - Residual
  - Financial



# Who pays the decommissioning & removal costs ?

- International laws do not specify
- Who pays determined by;
  - National rules and regulations
  - The specific Production Sharing Agreement
  - JOA, unit agreement or other agreements
  - Security of costs
- Who pays?
  - Government, operator, JVP,...



# Financial Security

- Current cash flow/existing operations.
- Parent Company guarantee.
- Bank guarantee or Letter of Credit.
- Decommissioning/removal fund.
- Original operator/partners partly or fully responsible after farm out of the field.



# Tax



- In most countries, the decommissioning cost is considered a business expense and tax system allow deduction from taxable income.
- The deductible share differs from country to country, and among Production Sharing Agreements.
- Deduction may not be claimed before the decommissioning work take place.
- Allocation to cover future removal costs are often not deductible.

# Residual liability – What is it ?

Identifying the party responsible for damage caused to other users of the sea by parts left on the sea bed after the removal process is completed.



# Residual Liability- status of law

- General principle that title owner at time of decommissioning has the liability.
- Some countries have imbedded residual liabilities in their regulations.
- Costs may be significant over time.
- The risk will most likely increase in the future

