

Offshore regulatory issues



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On 27 October 2011, the European Commission (EC) proposed a new law that will ensure that European offshore oil and gas production will meet the world's highest safety, health and environmental standards everywhere in the EU. The new draft regulation sets clear rules that cover the whole lifecycle of all exploration and production activities from design to the final removal of an oil or gas installation.

http://ec.europa.eu/energy/oil/offshore/standards_en.htm

The Standard Club considers herein the impact of these proposed changes for the future of safety in the North Sea, and how existing EU regulations compare with areas in other parts of the world.

For ships trading in the North Sea, it is clear that they must comply with IMO regulations such as SOLAS, MARPOL, ISM, etc. These are enforced by classification societies and port states. However, for offshore oil and gas units, their compliance is governed by five continental shelf regulators (Norway, Denmark, Germany, Netherlands and UK), each with different rules and regulations.

Most of the North Sea oil and gas comes from the UK and Norwegian sectors, but both of these countries have taken different strategies in relation to legislation; the UK uses the safety case regime and the Norwegian authorities use a more prescriptive route. Both countries have considerable resources and experience in offshore oil and gas, and each has had to learn from major disasters including *Piper Alpha* and *Alexander Kielland*. These incidents have been thoroughly investigated by the respective continental shelf regulators, and the circumstances of the incidents, key points and recommendations have been implemented and circulated through regulations and by the industry.

In practice, both regimes have produced high safety and environmental standards, but as an operator there remains a lack of standardisation between the regulators. EU countries are developing their offshore oil and gas reserves. Therefore, operators are faced with numerous regulatory standards under the umbrella of EU legislation. A common framework and standardisation of EU regulations has the potential to raise standards, which the Standard Club in principle would be in favour of, but with the proviso that the regulations do not create a culture of compliance with minimum standards but rather actively encourage best practice.

A one-size-fits-all EU standard of offshore oil and gas operations is ambitious, and there is already a natural split between the North West European Area (NWEA), which has a high level of established and proven health and safety standards, and the Southern European states (Mediterranean and Black seas) which are in their infancy in developing their offshore oil and gas reserves. The North Sea standards should be used as the point of reference to drive EU-wide standards up, but not as the European Commission press release states "[to ensure] operators respect the minimum standards".

Operators within the EU should be encouraged to adopt best practice standards across their fleet, irrespective of the particular jurisdiction where their offshore operations are carried out.

The North Sea has a good reputation for safety practices for a number of reasons, namely:

- over 40 years' experience;
- a highly skilled and trained workforce;
- a culture for continued development; and
- a number of industry forums such as Oil & Gas UK, The Oil Companies International Marine Forum and the International Marine Contractors Association where information is shared between operators and voluntary standards are implemented, usually over and above the minimum operating standards.

Steering committees are made up of a cross-section of operators that report on regulators' boards, with the net effect being that the North Sea to some extent, is self-regulating. The new EU Oil and Gas Advisory Group is offering much the same with the sharing of best practices and the improvement of safety standards. However, the concern is this will be made up of member states, not operators, and this may create another bureaucratic layer.

It is generally accepted in the marine offshore industry that the highly regulated North Sea sector has the highest standards for quality, safety, loss prevention and risk management. These demanding standards offer marine offshore operators a benchmark for minimum compliance with health and safety procedures within their management systems. Other continental shelf regulators around the world have comparable standards. However, the Standard Club's experience has shown that there is a level of variation of how standards are applied outside North Sea areas. In West Africa, for example, the competence of the local regulatory bodies varies considerably and they may fail to identify defects, non-conformities and/or they do not have the ability to enforce compliance.

Likewise, it is evident that not all flag states are equipped with sufficiently experienced surveyors to carry out meaningful or effective inspections of offshore units. Therefore it is insufficient to rely upon classification societies, flag states or regulators to police standards of maintenance and control. Some offshore operators have identified that whilst their unit is on location, thus not internationally trading, then IMO regulations do not apply and that they can remove classification and withdraw from ISM compliance. Whilst this is technically correct, we would expect such an operator to demonstrate that its in-house management systems are equivalent to flag state or class standards and robust enough to maintain the unit and evidence that independent verification is in place.

