## Panel Discussion On Regulatory Frameworks And Post Macondo Impacts

Steve Walker (Head of HSE Offshore Division) Dave Westerholm (NOAA) Taf Powell (DG ENER EU) Hugh Shaw (SOSREP)



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### Challenges of the EU regulatory framework for offshore major accident prevention

TAF Powell European Commission

Speaking at

**Interspill 2012** 

20 March 2012





### **Deepwater Horizon 2010 -Problem definition for EU countries**

#### **1.** <u>Likelihood</u> of an EU <u>major</u> incident is significant (and can be reduced)

Precursor reports UK & Norway; frequency analysis of incidents

#### 2. Full-scale <u>consequences</u> of an EU <u>major</u> incident not acceptable

Gaps in EU legislation; maritime response model

**3.** Provisions for financial liability for/recovery from an EU <u>major</u> incident are incomplete

Scale of costs and damages seen in  $\ensuremath{\mathsf{GoM}}$ 





## Key Points of Legislative Proposal

- General measures to prevent major accidents
- Risk-based planning and operations
- Best practices by operators and regulators
- Transparency/sharing information
- Co-ordination and cooperation amongst regulators, and with non-EU countries
- Emergency preparedness and response
- Technical annexes for detailed provisions





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# Changes in UKCS Regulatory Regime Post Macondo Interspill 2012

Michael Reid Senior Investigations Officer



#### **Department of Energy and Climate Change**

#### **Energy Development Unit**

- Issues Licences to Operators to carry out offshore operations after DECC assured of technical, financial and environmental competence;
- Primary Offshore Environmental Regulator
  - Offshore Environment & Decommissioning;
- Issues Environmental Regulatory Consents, Approvals and Permits;
- Approves Oil Pollution Emergency Plans (OPEPs);
- Inspect and Enforce against conditions;
- 24/7 Incident Response capability and acts as assistant to Secretary of State's Representative (SOSREP).

Pre-Operations to Operational Phase Environmental Regulatory Process





**Environmental Inspection, Investigation and Enforcement** 



#### OPEP Regulatory Guidance – Reviewed with industry and updated in 2009

- OPEP must be approved by DECC
  - Consultation with main response authorities: MCA, JNCC , MMO/MS
- Details Offshore and Onshore Response
- Provides clear concise procedures for responding to offshore oil pollution incidents
  - Including reporting, management, resources and response strategy
- Details potential pollution scenarios including relevant worst case
- Co-ordinates with the National Contingency Plan
- Regular training exercises onshore and offshore personnel



#### **Questions Asked**

- Could it happen in the UK?
- Are Companies/Organisations prepared?
- Are OPEPs fit for purpose and staff ready and able to respond ?
- Is the UK prepared and able to respond?

Action: Reviewed arrangements in light of above

#### Macondo Incident (cont)



- Current OPEP Guidance viewed as robust and enabled operators to produce an OPEP which is a fit for purpose operational document which sets out clear procedures to respond to offshore oil pollution incidents
- However:
  - Issued Supplementary Guidance
    <u>http://og.decc.gov.uk/en/olgs/cms/environment/leg\_guidance/deepwater/</u>
    <u>deepwater.aspx</u>
  - considered to be interim guidance to further strengthen arrangements
  - Seminars held in Aberdeen and London with Licensed Operators at Senior Management and Operational level
  - Meeting with Drilling Contractors in Aberdeen

#### Macondo Incident (cont)



- Re-confirmed that primary purpose of OPEP is to inform operator, to allow implementation of a robust, effective and tested emergency response procedure.
- All OPEPs must assess, and provide for an effective response to, an identified worst case scenario where all containment barriers have failed resulting in a blow-out, which would normally result in the requirement for a relief well to be drilled.
- DECC now require additional information within Oil Pollution Emergency Plans to provide evidence that systems and procedures are in place to allow both Operator and Contractor personnel to respond effectively to a major oil spill situation.
- Initiated Exercise SULA in May 2011 to test the UK's National Contingency Plan
  - Deployment exercise of Industry Tier 2/3 counter pollution equipment

#### Macondo Incident (cont): DECC & OSPRAG OPEP Sub-Group



#### Oil Spill Prevention & Response Advisory Group (OSPRAG)

- Subsequently formal OGUK Oil Spill Response Forum
- DECC represented on all groups including OPEP Sub-group
- Review of current OPEP Guidance
- OSPRAG subgroups investigating strengthening i.e. modelling; environmental sensitivities, waste management, use of dispersants; capping, containment and recovery; OPOL and Insurance
- Take into account learning from Macondo reports, exercise SULA & Maitland review recommendations and NCP review
- Investigating potential for shared website to access response information Marine Pollution Incident Information Portal
- Aim: Develop, strengthen, update and implement Regulatory OPEP Guidance

#### **Exercise SULA**



- Live multi-agency emergency response exercise designed to test the UK NCP
- Aim to exercise the UK's response to a major oil spill resulting from a deep water offshore drilling incident
- The drill ship Stena Carron conducting deep water drilling operations approximately 100nm West of Shetland, in water depths of up to 4000ft



#### **Exercise SULA: Response Cells**



- Chevron Upstream Europe
  - Asset Emergency Management Team (AEMT)
  - Technical Support Team (TST)
  - Legal and Financial
- Marine Response Centre (MRC)
- Operations Control Unit (OCU)
- Environment Group (EG)
- Media Briefing Cell
- Shetland Islands Council
  - Shoreline Response Centre (SRC)
  - Crisis Management Team
  - Oil Spill Response (OSRL)



#### Exercise SULA: Oil and Gas Recommendations



#### **Recommendation 3**

 MCA to define roles and responsibilities of oil and gas operator and Marine Response Centre (MRC) during pollution incidents and how these will be communicated

#### **Recommendation 4**

• MRC to be exercised at least once per year with an offshore oil and gas operator being involved biennially

#### **Recommendation 7**

• Oil and gas industry in consultation with environmental regulators to ensure there are suitable arrangements in place to deal with reception, storage, treatment and final disposal of the types and quantities of from a major pollution incident

#### **Recommendation 11**

 Working groups established following the final OSPRAG Report – develop a mechanism to capture and disseminate good practices

#### Deepwater Horizon Review: Maitland Recommendations



#### Recommendation 2.6

• Regular testing of the deployment of capping device in a range of scenario's including NCP exercises

#### Recommendation 3.4

• Frequency of NCP exercises being increased to every 3 years (at present every 5 years)

#### Recommendation 3.4.2

• The frequency of DECC OCU exercises with operators should reflect the risk particular installations pose to the environment

#### Recommendation 3.4.3

 Requirement of Tier 2/3 response contractors is to provide evidence to DECC every 5 years to deploy of their ability to respond and deploy counter pollution equipment and the frequency of demonstration should align with NCP exercises



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**UK RESPONSE READINESS** 

## Mick Borwell Environmental Issue Director



## UK RESPONSE TO MACONDO Oil Spill Prevention and Response Advisory Group

- To review UKCS regulation
- To review UKCS arrangements for oil spill prevention and response
- To assess the adequacy of financial provisions for UKCS response
- To monitor, review and implement pertinent recommendations from Deepwater Horizon



## **OSPRAG Steering Group Composition**







Expert specialist groups to: review practices, assess response readiness & recommend improvements



## RESULTS OF THE OSPRAG REVIEW REGULATIONS

• Regulatory regimes on the UKCS, both safety and environmental, are robust and fit for purpose



## RESULTS OF THE OSPRAG REVIEW FINANCIAL RESPONSIBILITY

- Current OPOL limit of \$250 million remains appropriate
- Small number of wells likely to require additional financial responsibility above OPOL limit



## RESULTS OF THE OSPRAG REVIEW OIL SPILL RESPONSE

 The core response strategy for the UK of surveillance and use of dispersants, where required, remains valid



## RESULTS OF THE OSPRAG REVIEW NEW CONCEPTS FOR UKCS

- Industry must be self sufficient in the provision of spill response resources
- 'Toolkit' of response options for a worst case scenario
- Escalation mechanisms for the provision of spill response resources



## **REVIEW OF SELF SUFFICIENCY**

- Response equipment, deployment vessels and aircraft – *sufficient*
- Dispersant stockpiles *not sufficient*
- Competent response personnel sufficient other than for a sustained event



### **RESPONSE TOOLKIT**





## **OSPRAG** Capping Device



- 15,000psi rated equipment throughout
- Modular design, low weight (~38 tonnes); transportable
- 250 deg F temp rating
- Water depth > 3048m
- Handle 75,000bbls/day of fluids
- Configured for H2S service
- 5" vertical through bore
- Wire and drill pipe deployable;
- Multiple chemical injection & p/t sensing points
- 1 year continuous immersion on any single application
- 20 year design life



### **OSPRAG** Capping Device





### **Aerial Surveillance**





### Subsea Dispersant





### **Vessel Dispersant Offshore**





### Mechanical Recovery Offshore





## In-situ Burning





### **Aerial Dispersant Offshore**





### **Aircraft Dispersant Near shore**





### **Containment and Recovery Near shore**





## **Using Local Vessels of Opportunity**





### **Vessel Dispersant Nearshore**





#### **Shoreline Protection**





### Waste Disposal





## **TOOLKIT STATUS**

#### **OSPRAG** Capping Device

3<sup>rd</sup> Party Cap

**Relief Well** 

Aerial Surveillance

Subsea Dispersant - Safety

Subsea Dispersant -Environment

Vessel Dispersant Offshore

Mechanical Recovery Offshore

#### In-situ Burning

Aircraft Dispersant Offshore

Aircraft Dispersant Nearshore

Vessel Dispersant Nearshore

Mechanical Recovery Nearshore

**Shoreline Protection** 

Waste Disposal



## RESULTS OF THE OSPGRAG REVIEW ESCALATION MECHANISMS

- Response equipment readily obtainable from global resources
- Dispersants *readily obtainable from global resources and UK manufacturers*
- Competent responders escalation mechanism required



### What has changed post Macondo?

- Perception of risk
  - Worst case scenarios
  - Financial responsibility
- Public scrutiny
- Prevention and response capability strengthened
- Need to avoid complacency



## Oil & Gas UK Well Life Cycle Practices Forum



## Oil & Gas UK Oil Spill Response Forum



### Review of UK Spill Response Strategy Conclusion

- The UK response strategy and capability is essentially robust and can respond effectively to offshore spills that are likely to be encountered. The response to a low probability, sustained release of oil can be enhanced by enabling a 'toolkit' of response techniques that can be applied, where conditions are favourable, to mitigate potential environmental and socio-economic impacts.
- As a result of OSPRAG's work, this oil spill toolkit has been substantially enhanced and gaps in knowledge and uncertainties, particularly the use of dispersants subsea and some elements of shoreline response, have been indentified and work to address these is underway.





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# Offshore Industry Compensation Regime

Niall Scott - OPOL

# Main Sources of Obligations

- European Union
- UK Parliament and Scottish Parliament
- UK Common Law
- Industry Schemes

# **UK and Scottish Parliaments**

- The Model Clause Regulations
- 23 (9) Ministerial Order for funds
- 38 Indemnity against third party claims

# UK Common Law

- Owe claimant a duty of care
- Breach of duty
- Caused claimant loss or damage

## OPOL

- Membership a condition of operating license
- Quick and inexpensive means to resolve claims
- Route to demonstrate financial responsibility
- Strict liability
- Guarantee obligation of members

# OPOL

- Not a Fund
- Not less than US\$ 250m per incident
- FR-Credit or financial strength ratings
- Insurance
- Guarantee
- Self Insurance

# **UK Regime**

• Financial Responsibility Guidelines

## Offshore Industry Compensation Regime

Niall Scott - OPOL



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