

# Decommissioning Contract Risk Allocation | 2014 Oil & Gas UK

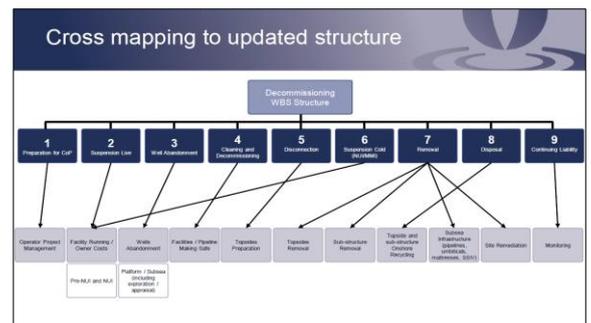
Customer: Ken Cruickshank, Operations Manager

Dundas scope: Decommissioning Contract Risk Allocation Review

## PROJECT DESCRIPTION

Risk allocation in contracts between operators and removal contractors has long been debated and it is proposed that the unspecified allocation of risk has added cost but no real value to the industry. Oil & Gas UK has available a suite of LOGIC standard contracts, which was developed by CRINE, a subsidiary of LOGIC. These contracts aim to reduce the effort spent evaluating, qualifying and reviewing qualifications that are generic and allows focus to be put on the specific terms directly beneficial to the work being undertaken thus generating cost reductions.

It was proposed that a risk identification, ranking and allocation initiative will assist in the development of a high quality industry standard decommissioning contract. Dundas was engaged to carry out the work, coordinating input from a large number of key operating companies and decommissioning contractors.



[Phase & No.]	RISK	Risk Type	When the potential project is in the project	How significant is the risk?	Who should own the risk? / Enginew / Remove / Reimbursable / Dispose / contract	Difference with comparable construction risk	Comments
10.01	Availability of the lifting vessel and access to the structure.	Performance	4	3	Fully removal contractor owned	Fully removal contractor owned	Decom is typically less schedule critical. Up to the contractor to agree limit of the liability. Assumes heavy lift vessel is part of contractor service.
10.02	Restricted access to the structure.	Performance	2	3	Fully operator owned	Fully operator owned	Assumes contract provides unrestricted access.
10.03	Uninspected carry over work from outside of agreed scope	Performance	2	2	Fully operator owned	Fully operator owned	
10.04	Getting the right permits, licenses and consents in time	Political	2	2	Equal share	Equal share	Permits and consents register should identify for each if the contractor or operator is responsible and should be signed off by both sides
10.05	Unplanned clean-up scope greater than anticipated	Performance	2	2	Fully operator owned	Mostly operator owned	Scope of work must be defined.
10.06	Poor weather (MOW)	Performance	2	2	Fully operator owned	Fully removal contractor owned	Decom is less schedule driven. Allocation of risk depends on the contracting strategy e.g. schedule flexibility would be key differentiator.

## DUNDAS ROLE

The effort was targeted at removal scopes. For the initiative to succeed it required input from the operators decommissioning and supply chain management functions and from thereafter the removal contractor community. The risk identification, ranking and allocation initiative was undertaken in two phases. The first being an operator engagement workshop which informed the second phase with the removal contractor community. Two separate reports were issued; a report, detailing the output from the operator engagement workshop and a second report covering the responses from the removal contractors. The aim of the operator workshop was to identify, rank and allocate (i.e. operator or removal contractor) the key generic risks in a decommissioning removal project.

Oonagh Werngren, Oil & Gas UK’s operations director, said: “The industry is directing all its energies towards improving its efficiency and tackling cost inflation to ensure a long-term future for the UK Continental Shelf. These latest publications align with the sector’s collective efforts to share expertise. The principles are also in line with both the Wood Report recommendations and the priorities of the Oil and Gas Authority, which are to ensure there is a growing focus on sharing good practices and enabling the delivery of cost-effective decommissioning.”