



Courtesy of Wintershall

Directorate-General
for Energy

Facing the Challenge of the Safety of Offshore Oil and Gas Activities

EU response to the Deepwater Horizon accident



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Offshore safety challenged in many ways

- **Changing circumstances**
 - Shift to frontier operations (end of “easy oil”)
 - Aging infrastructure
 - Structural shift towards specialist companies
- **Industry specific**
 - BAT/Good Practice: uneven proliferation
 - Compliance issues
 - “Safety-first” corporate culture
- **Additional factors**
 - Austerity vs. regulators’ resources
 - Transparency – information access, formats

EU action following Gulf of Mexico events

- **90% of EEA oil production comes from off-shore operations, many new discoveries in deep off-shore**
- **Commission Communication of October 2010**
 - » Importance of state-of-the-art/best practice; precaution; emergency preparedness & intervention capacity
 - » New partnerships for offshore safety outside EU
- **Next step – policy initiative 2011**
 - » Legislative and non-legislative measures
 - » Impact assessment near completion
 - » Public consultation carried out March - May

*Disclaimer: Provisional -
Work in Progress, Consultations
Ongoing*

Problem definition: 3-fold

1. **Likelihood of an EU major incident not insignificant (and can be reduced)**

Precursor reports UK & Norway; frequency analysis of incidents

2. **Full-scale consequences of an EU major incident not acceptable**

Gaps in EU legislation; maritime response model

3. **Provisions for financial liability/recovery are incomplete**

Scale of costs and damages seen in GoM

BASELINE – key points

- Historical figures suggest a recurrence rate of 35 years for a blowout lasting for ~50 days in Europe.
- Assuming a cost range of ~~€5~~-30 billion, this amounts to annualized costs of ~~€140~~-850 million per year.
- Add to this an annual figure of ~~€65~~ million in property losses resulting from less costly, but more common, major accidents

Estimated total annual average figure for direct, tangible costs of offshore accidents in Europe: ~~€205~~ to ~~€915~~ million

(Disclaimer: Provisional data – work in progress!)

Case for EU action

- **No case for non-action:**
 - Accident frequency and costs surprisingly high
 - Industry and MS action uneven
 - EU voice in global efforts (G20,...)
- **Subsidiarity vs. European interest (Art. 194 TFEU):**
 - Health & Safety of workers
 - Protection of wider communities and the environment: cross-border impacts of spills
 - Deepening of single market: BAT/BP proliferation
 - Security of energy supplies
 - EU's global interests

Objectives of EU action

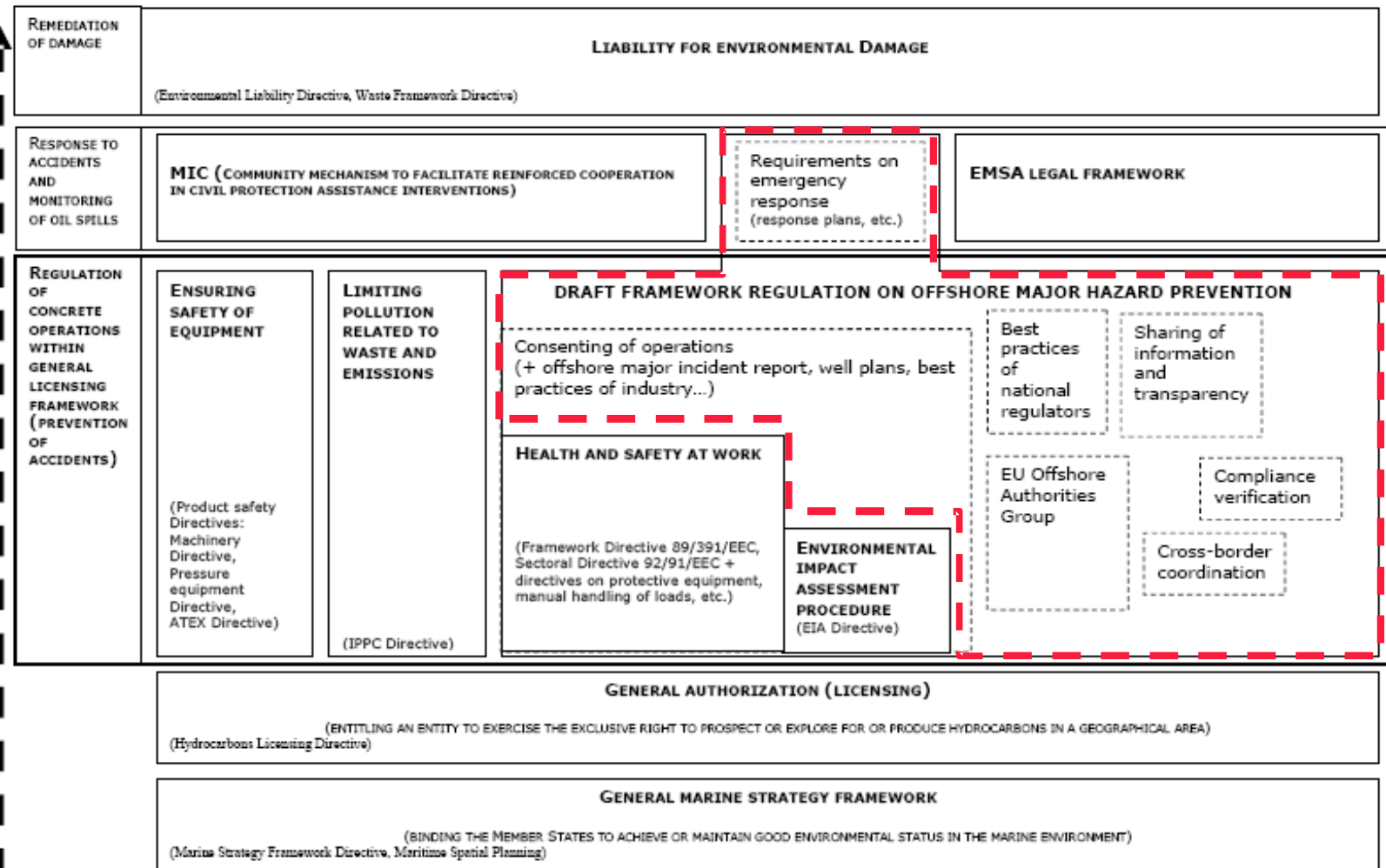
Problem part	General objectives	Specific objectives
1. Risks can be lowered (i.e. too high to accept)	1. To prevent a major incident from occurring	1. Attain best industry practices; feed raise of global standards
		2. Implement best regulatory practices throughout the EU
2. Response measures need improvement	2. To deal with a major emergency should preventive measures fail	3. Implement measures for better emergency preparedness and response in all EU offshore regions
3. Liability provisions incomplete		4. Improve and clarify existing EU liability and compensation provisions

Measures to implement the objectives

Specific objectives	Measures Considered (incl. suggestions from stakeholders)
1. Attain best industry practices; feed raise in global standards	<ul style="list-style-type: none"> • Establishing a goal-setting (“major hazard report”) regime • Extending EU standards overseas • Establishing a dynamic best practice model for industry
2. Implement best regulatory practices throughout the EU	<ul style="list-style-type: none"> • Verifying technical capacity during licensing • Establishing an inspections and penalties regime • Establishing an EU-wide offshore authorities platform • Ensuring information sharing & transparency amongst regulators • Establishing EU regulatory body • Achieving consistency of product safety standards across EU
3. Implement measures for better emergency preparedness and response in all EU offshore regions	<ul style="list-style-type: none"> • Ensuring cross border availability of compatible assets • Ensuring preparedness for response to major offshore incidents • Establishing EU intervention response capacity • Ensuring financial capacity of operators to cover liability
4. Improve and clarify existing EU liability and compensation provisions	<ul style="list-style-type: none"> • Clarifying scope for environmental liability • Establishing compensation regimes for traditional damage

Measures vs. existing framework

RELATIONSHIP OF THE MEASURES FOR OFFSHORE MAJOR HAZARD PREVENTION TO RELEVANT EU ACQUIS



NOTE: THE TABLE DEMONSTRATES THE RELATIONS OF RELEVANT EU ACQUIS IN DIFFERENT STAGES OF OFFSHORE OPERATIONS – FROM MOST GENERAL FRAMEWORK AT THE BOTTOM, OVER LICENSING AND REGULATION OF CONCRETE OPERATIONS TO EMERGENCY RESPONSE AND LIABILITY FOR DAMAGES.

Possible EU action should involve

- **Legislative/non-legislative measures to address:**
 - » **Promotion of best practices: industry, regulators**
 - » **Responsible authorization processes**
 - » **Strict and clear liability regimes in all EU waters**
 - » **Transparency and public oversight**
 - » **Effective emergency mechanisms**
 - » **International engagement**
 - **Adjacent regions: Mediterranean, Baltic, Black**
 - **Global action with international partners: OPEC, US, G20, Norway, IRF**

Policy options under discussion

Option 0: do nothing

- *No action is taken and situation evolves as per baseline scenario*

Option 1: “North Sea”

- *Levelling all EU up to best available EU region, i.e. North Sea*
- *Using common denominator for standard-setting*

Option 1+: “North Sea Plus”

- *Adding measures on issues outside the current North Sea common standard achievable within existing legislation*

Option 2: Designing new comprehensive blueprint

- *Improves on the North Sea common standards*
- *Still largely inspired by agreed, if not always applied, expert consensus*

Option 3: Institutionalizing the new blueprint

- *Builds on Option 2; underpinned by EU institutional tools*

Analysis of Options' Effectiveness

No.	Measure	Option 0	Option 1	Option 1+	Option 2	Option 3
4.1.1	Detailed verification of the technical capacity of potential operator					
4.1.2	Establishing regular inspections and a penalties regime					
4.1.3	Submission of formal safety assessments for acceptance by the regulator					
4.1.4	Extension of MHR into a comprehensive risk management model					
4.1.5	Extending EU practices to overseas operations					
4.1.6	Establishing a Competent Authority					
4.1.7	Establishing a platform for regulatory dialogue					
4.1.8	Comprehensive information sharing and transparency					
4.1.9	Preparedness for effective emergency response to major offshore accidents					
4.1.10	Ensuring cross-border availability and compatibility of intervention assets					
4.1.11	Clarifying the scope of environmental liability					
Extent to which the aim of the measure is attained:		None	Little/ patchy	Some	Mostly	
Colour						

CBA Methodology for Options Analysis

- **Benefits**

- » **Measured against baseline**
 - *Probability reduction (%)*
 - *Monetary terms (€)*
- » **Shape of assumed reductions:**
 - *Narrowing range*
 - *Lowering range*

- **Costs**

- » **One-off vs recurrent**
- » **Administrative costs: MS questionnaires**
- » **Industry costs of compliance: limited response from industry**
 - *OSPRAG, WEC: focus on intervention and well-control*
 - *Data on comparisons between jurisdictions:*
UK => Brazil = -40%; UK=>Norway = <0;50%>

- **Vicarious/non-quantifiable benefits & disbenefits**



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Thank you for your attention

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