

5. Recommendations for Governments

There is growing recognition across the world of the immense health, safety, environmental and financial risks that decommissioning represents. Decommissioning is the inevitable end of all oil and gas projects. Policy-makers and regulators need to bear in mind the issues highlighted in this paper, as they set the rules and guidelines for the development of the resources. If the last part of the field is not adequately dealt with, any benefit derived from its development can easily be negated.

The following are recommendations for Commonwealth countries to deal with this looming area of concern:

1. Urgently and comprehensively assess the decommissioning risks to the country

Governments run the risk of being left with the financial, environment and social costs of decommissioning activities, if appropriate plans are not put in place as soon as possible. Early action is critical to formulating appropriate measures to deal with the multifaceted challenge that decommissioning presents. In order to evaluate the country's risks, a comprehensive assessment should be conducted as soon as possible on:

- **The country's decommissioning outlook**, which should include an inventory of oil and gas assets (wells, platforms, facilities, pipelines etc.) and the associated estimated cessation of production costs and timing. This should also include identification of any orphan assets that exist, as well as assets 'at-risk' of becoming orphans. Particular attention should be placed on understanding the environmental risks posed from mature fields and ageing infrastructure, where there may be limited information.
- **Financial assurance mechanisms** in place for each asset and the potential unfunded decommissioning liabilities that may exist.
- **The state's financial exposure and decommissioning obligations from state participation** (the NOC or other institutions) or from the transfer of assets at the end of petroleum agreements and/or licensees. The NOC should, in particular, have a complete view of its decommissioning position from both areas.
- **The decommissioning regulatory regime**. It is critical that the government takes a detailed diagnostic review to identify lacunas and weaknesses in the existing legal framework and carries out an assessment of options to remedy. Given the regulatory reform process can be very lengthy, it is essential that this is done as soon as possible in order for actions to be taken in a timely manner.
- **The socio-economic fragility of towns and communities**. An early understanding is vital of how local towns and communities will be impacted from CoP and decommissioning of petroleum assets (for example, in terms of loss of jobs, revenues). Given the large socio-economic implications, early identification of vulnerable towns, communities or regions will be an important first step in designing and implementing actions to avoid shocks and minimise the level of distress to lives and livelihoods.
- **The technical expertise required**. The government needs to build capacity in decommissioning in order to formulate effective strategies, laws etc. and ensure compliance. Decommissioning spans several disciplines (for example, operational, legal, economic, social and environmental), but not all are required simultaneously. The government should therefore understand what

types of skills are required and in what timeframes to aid in effecting resourcing. This would help to reduce the risk of regulatory capture and ensure effective regime and regulatory oversight of decommissioning issues.

2. Strengthen decommissioning regulatory regime

The risks from decommissioning are growing and where there is no effective regulatory framework, the taxpayers and citizens will bear the brunt of health, environmental and financial costs – potentially for several generations. It is important that to avoid such a situation, regulatory weaknesses are remedied in a timely manner. The legal framework should be clear, predictable and preferably codified to avoid being subject to negotiations and having different approaches across projects. Incorporating best practice of 'begin with the end in mind' (where decommissioning is contemplated in designing projects), and a lifecycle approach to decommissioning for any new projects, will help address known difficulties. Given the relatively nascent stage of the decommissioning industry, the legislative requirements need to enable the flexibility to accommodate changes in context, technological developments or stakeholder priorities that may require adjustments in the final decommissioning plan.

In recognition of government's limited resourcing, efforts should be made to learn from other countries' experiences in regulatory reform. In addition, adoption of standardised electronic reporting can increase efficiency and reduce the administrative burden to both companies and government agencies.

3. Work collaboratively with industry and communities to develop a national decommissioning strategy, particularly for socio-economically fragile towns and communities

Decommissioning requires clear policy direction, supported by a long-term action plan – especially with respect to minimising social and economic distress in local towns and communities. Effective and ongoing engagement and a communication strategy with stakeholders is critical to successful handling of decommissioning.

As with any other aspect of petroleum operations, effective management of issues is usually underpinned by a recognition of the multipartite characteristic of the industry, with meaningful measures to engage with stakeholders. This will also hold true for decommissioning and, as it will be a new area for many countries, it is important that sufficient attention is given to understanding the various stakeholder concerns, especially in the first project (to avoid disastrous outcomes, such as the Brent Spar decommissioning).

Governments and companies should anticipate a growing interest by stakeholders in decommissioning and ensure that meaningful consultation and communication is a key element of decommissioning plans. This should be underpinned by transparency of data and reports to enable fact-based dialogue with stakeholders, including NGOs, local communities and the general public.

Collaboration among governments and companies to transfer learning and best practice will also be an important way to reduce decommissioning costs and deliver benefits to both companies and the country. Establishing a constructive dialogue with industry bodies will be important to understanding risks and identifying opportunities for industry-wide solutions and co-operation. As technology and practices evolve, it will be important for flexibility to be incorporated by both the companies and regulators, particularly in terms of the assessments of net environmental benefit.

Another area for collaboration that governments should seek to leverage is among policy-makers and regulators across countries. This could be an invaluable mechanism for government officials to learn from each other, expediting the timeframes within which weaknesses in policies, laws, procedures etc. can be addressed.