

Woodside offering "expert" advice on Northern Endeavour decom

RESOURCES minister Keith Pitt said today the former owner of shuttered floating storage production and offloading vessel the Northern Endeavour, Woodside Petroleum, is providing the government “expert advice” on how to decommission the project and plug and abandon the wells at the Coralina-Laminaria field.

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Pitt has not confirmed the government, which was forced to assume liability for the field and ship in February, will proceed with that option, however.

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"As a previous owner of the Northern Endeavour, Woodside is well placed to provide timely, detailed advice," he said.

Helen Clark
Editor

A Woodside spokesperson told Energy News today "we have signed a contract with them (the government) to assist with a decommissioning scoping study of the Northern Endeavour FPSO and associated subsea infrastructure".

"In parallel, Woodside is contributing to the government and industry's policy discussions on this matter to ensure such situations don't arise again."

The independent review run by a prominent North Sea decommissioning expert Steve Walker into the administration and liquidation of Northern Oil and Gas Australia findings has also been released.

The report contains nine recommendations which included stronger powers for the titles administrator to approve or refuse title transfers, a 'trailing liability' whereby a former titleholders would retain responsibility for decommissioning work, and environmental and safety regulator reviewing practices so it can better identify underlying issues.

Walker said "it is essential that current titleholders continue to have prime liability for decommissioning". That would have been Woodside.

NOGA took over the fields and vessel, in 2016 from Woodside Petroleum, saving the latter a hefty decommissioning bill. Woodside paid the newly incorporated company \$24 million.

Walker found that NOGA's "financing, experience and reliance on a single asset as its only income source presented challenges". NOGA hired Upstream Production Solutions to run the vessel and hold the safety case.

However though there were concerns that a single asset company with limited experience may struggle to operate the complex vessel and end-of-life fields the National Offshore Petroleum Titles Administrator and the Joint Authority could not formally cancel the transfer.

The offshore safety and environmental regulator also had concerns.

"NOPSEMA's early assessment of how TSOGA (Timor Sea Oil and Gas Australia) and UPS were complying with their environmental and safety statutory requirements identified concerns about TSOGA's capability and capacity to respond to an oil spill, an obvious and fundamental titleholder responsibility," Walker found.

"This led to formal enforcement three days after TSOGA became titleholder." One of the main issues never resolved was corrosion, repeatedly brought up by NOPSEMA.

Problems escalated from there until mid-2019 when NOPSEMA finally ordered the vessel shuttered.

At the end of its credit facilities and with no cash generating work -- in fact NOGA had lost money every year since 2015 -- the company went into voluntary administration then liquidation, owing millions in addition to the ultimate decommissioning costs.

Walker believes the fault lies in legislation and not the bodies tasked with enforcing it, finding NOPSEMA a "robust, professional and independent regulator" which had concerns from the very beginning.

NOPTA had "to work under a number of legislative limitations which it considered prevented it from being able to fully consider, and influence, the ramifications of the change of titleholder. These limitations allowed TSOGA to become the titleholder for LamCor without, in my opinion, being subject to adequate scrutiny."

"The experience of the Northern Endeavour has demonstrated that titleholder governance is a crucial issue worthy of NOPTA and JAs' oversight." The joint authority oversees areas of state and federal waters.

Walker's findings are broadly in line with off-record industry opinion -- though few will like the idea of permanent decommissioning liability for assets they have sold -- but the government is no closer to a solution for the Northern Endeavour itself.

"It is crucial that the government understands how and why this situation arose to consider how best to minimise the risks of a similar event occurring in the future," Pitt said.

The costs for keeping the vessel afloat have been calculated at around A\$4 million per month, though the longer term costs were kept secret in the mid-year budget report, released late July.

The Department of Industry, Science and Energy Resources said the "expenditure for this measure is not for publication due to commercial in-confidence sensitivities".

"The government will provide funding over two years from 2019-20 to ensure the safe and stable operations of the Northern Endeavour floating oil production storage and offtake facility, which is permanently moored between the Laminaria and Corallina oil fields in the Timor Sea," it said.