



06/12/2018

Inquiry into UK Oil and Gas Industry: response to evidence session held on 13/11/2018

Dear Scottish Affairs Committee Members,

The Scottish Wildlife Trust welcomes the opportunity to submit a response to the recent evidence session with OPRED and the OGA on November 13th. We believe it would be valuable to the Committee to clarify the Trust's position regarding the 'rigs-to-reefs' approach to decommissioning and to highlight some of our concerns regarding the evidence provided within the session.

The Trust prides itself on being a pragmatic and forward thinking organisation and we genuinely believe that our position on decommissioning, as set out in our Decommissioning Policy, provides opportunities for a net-positive environmental outcome, financial savings to the taxpayer and the industry, and the potential establishment of a Marine Stewardship Fund – the 'triple-win scenario' we proposed in our evidence session.

Overall, we believe the ever-growing body of scientific research that suggests there are potential ecological and environmental benefits to leaving rigs in situ indicates that rigs-to-reefs opportunities in the North Sea should not be dismissed so readily and that these options should be further explored.

Rigs-to-reefs in the North Sea

We believe that Wendy Kennedy was correct to point out that there are two types of rigs-to-reefs approaches being discussed (moving to a new location and leaving in situ) and that often these approaches can be unintentionally merged, often confusing discussion on decommissioning. It has always been the Trust's clear view that leaving rigs in situ is the only option when considering the rigs-to-reefs approach in the North Sea.

We agree that, once a structure has been cut and moved, it makes sense to bring it to land for recycling and re-use. However, it is the Trust's position that, if there are demonstrable benefits to the environment, you do not cut the rig in the first place.

We often refer to the rigs-to-reefs programme in the Gulf of Mexico as an example of how the ecological benefits of disused rigs have been successfully explored and developed in other countries,

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specifically where there are benefits to multiple stakeholders. We are not suggesting that the same programme should be applied to the UK, but there are lessons to be learned.

We feel it is important to emphasise that all rigs in the North Sea have been acting as artificial reefs since the moment they were installed – they do not become artificial reefs once operations have ceased (maybe in terminology, but not in practice). Therefore, our interests lie with preserving the reef that already exists, not to create a new reef through relocation or altering the rig structure.

Liability

We are fully aware that liability in perpetuity of rigs decommissioned in situ is a key consideration when considering the rigs-to-reefs approach and, indeed, how this would function requires further debate. It is valid, in this circumstance, to refer to the rigs-to-reefs programme in the Gulf of Mexico where liability concerns have been addressed by transferring liability over to the State for a fee and 50% of savings to the industry. This may not be the most appropriate option for the UK Government, but it does demonstrate that issues around liability can be overcome.

It would be valuable to know more about how the industry is preparing for potential liability costs regarding structures that have been awarded derogation – what are the risks and are they regarded as considerable financial risks? It would be useful to have some insight into the UK Government's role in ensuring the industry is adequately prepared to cover any liability costs and clarification as to whether the UK Government have offered financial support for any potential liability costs for structures that have been awarded derogation. It is important to recognise that these structures will remain in situ for hundreds of years, most likely longer than many of the existing oil and gas companies. Is there a plan to address this likely circumstance?

Installation figures and candidates for derogation

In the session, Wendy Kennedy mentioned that there are approximately 300 installations that are made from steel or concrete and, of which, 58 were candidates for derogation. According to OGA UK figures on UK installations, there are 277 structures that are either gravity-based (GBS), large steel or small steel. Of these, GBS and large steel structures account for 39. The Trust would like further information on where the figure of 58 installations for derogation came from?

We recognise that many of the small steel structures installed after 1998 (66 installations) were built with removal in mind and that these structures are relatively easy to remove. However, these structures will have been in place for many years by the time their operational life comes to an end and there will be a considerable amount of marine life growing on the structure – despite their relatively short lifespan, they are still acting as artificial reefs. Therefore, we consider that the size and age of an installation should not be determining factors when considering candidates for derogation, and that the environmental impact of removal should be the key consideration.

Environmental Impact Assessment

It was mentioned in the evidence session that all scenarios proposed in a decommissioning programme go through an Environmental Impact Assessment (EIA) and that this process allowed for each site is considered on a case-by-case basis and in a flexible way. We have two key concerns with this statement:

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- 1) The EIA process for decommissioning does not consider the loss of marine life growing on the structure itself.
- 2) Although each site is considered on a case-by-case process, the fact that decommissioning in situ for rigs that do not meet derogation criteria is not an option, indicates that the process is limited and that all alternative approaches are not considered, despite their potential for reducing environmental impact.

We consider it essential that the marine life growing on rigs are recognised as a 'natural capital asset' and that the potential loss of ecosystem services that flow from this asset needs to be considered in the EIA process. Until marine life growing on rigs can be addressed in this context it is not possible to comprehensively assess the environmental impact of complete removal.

Recycled steel versus sourcing steel from ore

We believe Wendy Kennedy raised a pertinent point regarding the environmental impact of recycling the steel from rigs versus sourcing from ore. In the evidence session, it was suggested that sourcing from ore would have a higher environmental/carbon impact. However, as far as we are aware, there is no evidence to suggest that this assumption is correct. Recycling steel from rigs and sourcing from ore will both undoubtedly have environmental impacts, but these impacts will be very different and function at different scales. Without a comparative analysis it is impossible to place one over the other. This would be an important piece of work that will provide a valuable contribution to the current discussion around the broader environmental impacts of decommissioning.

Best use of taxpayer's money

We consider that Ross Thompson MP raised a pertinent question regarding whether it was possible for the OGA UK and/or OPRED to demonstrate to the taxpayer that, given the various options being discussed regarding how best to decommission oil rigs, the current approach is the best use of public money. There is a significant amount of research available that questions the current assumptions around complete removal yet, as mentioned in the evidence session by Wendy Kennedy, both the regulator and the industry believe the current regulations are fit-for-purpose.

We consider that there is a responsibility on the OGA UK and OPRED to demonstrate the best use of taxpayer's money and that there is a need for a clear and comprehensive cost/benefit analysis to be carried out. We believe that natural capital accounting would provide the required level of scope to adequately address this issue.

Key questions we believe need answering:

- How is the oil and gas industry preparing for potential liability costs?
- Exploration into different ways to address liability in perpetuity – how is this issue resolved in other countries?
- Clarification over which installations OPRED consider as options for derogation?
- What is the environmental impact of removing the marine life growing on rigs – at both an individual rig and regional (i.e. multi-rig) scale?

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- What are the environmental impacts of recycling/reusing steel from rigs and sourcing from ore and which is least damaging?
- Can OPRED/OGA UK demonstrate to the taxpayer that complete removal of disused rigs is the best use of taxpayer's money?

The Trust would welcome the opportunity to discuss further the points raised within this letter.

Yours faithfully,



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