

Safety rules to trigger inspection on oil platforms

Mr. Thor Gunnar Dahle
Norwegian Petroleum Directorate - Norway

About Norwegian Petroleum Directorate

Norwegian Petroleum Directorate (NPD) is a governmental body responsible for authority management of the offshore oil and gas resources on the Norwegian Continental Shelf. This task encompasses resource management as well as the management of health, safety and environment.

NPD reports to the Ministry of Oil and Energy in matters relating to resource management and to the Ministry of Local Government and Regional Development in matters relating to health, safety and environment. The fact that the Governmental responsibility is split on two different ministries ensures that no conflict of interest occurs between the State's financial interests and the concerns for health, safety and environment.

NPD was established in 1972, at which time petroleum activities on the Norwegian Continental Shelf had been ongoing for a few years.

Regulatory and supervisory strategies

Norway has proclaimed sovereignty over the petroleum resources under the seabed on the Norwegian Continental Shelf. Oil companies are licensed to explore and exploit these resources. As the oil and gas resources in place are State property, the oil companies in principle act as contractors to the State. In legal terms, the oil and gas become the property of the licensed company when they reach the deck of the production installation, and may then be traded on the international market. The financial benefits for the State are by means of taxation of the licensees.

For this reason, the State has a strong motive for governing the licensees' management of the oil and gas resources, as well as their performance in relation to health, safety and environment.

The two main means for achieving the Norwegian Government's goals relating to the offshore oil and gas industry are:

- a licensing policy that ensures qualified participants
- regulatory and supervisory strategies and methodologies that emphasises the participants' own duty to comply with regulatory framework

Licensing policy

Licensing is the responsibility of the Ministry of Oil and Energy. In the licensing process, NPD acts as the Ministry's technical advisor. The NPD evaluates the applicants' competence and capacity with regard to resource management and potential for a satisfactory performance within health, safety and environment.

Rules and regulations

The Petroleum Act is established for the offshore petroleum activity in particular. This act deals basically with the resource management issues. However, the legislation relating to health, safety and environment matters is generally constituted of existing legislation, which has been made applicable for the offshore activity, in some cases with certain adjustments.

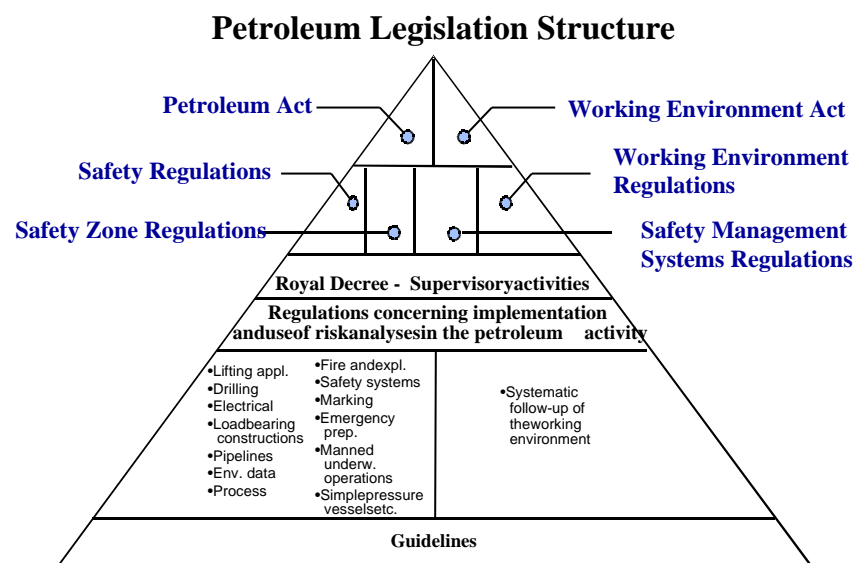
The petroleum legislation features the following basic principles:

- Framework control by means of goal-setting requirements
- Requirements to insight into decisions and decision-making processes

The use of goal-setting requirements is opposed to the application of specific, detailed requirements. NPD is of the opinion that the latter reduces the companies' perception of their own responsibility for working out good

technical solution and applying a proper operational standard in their activities. Goal-setting regulations contain requirements to "what" shall be achieved, whilst specific regulations require "how to" achieve it. The latter is typically the role of industrial standards. Consequently, NPD has left this task to the standardisation organisations by means of references to such standards in the guidelines attached to the various regulations.

Requirements to insight into decisions and decision-making processes means that NPD is not only concerned with the technical solutions when they are completed and ready for operation, but for the entire process leading up to that phase. The investment costs for a fully integrated offshore production installation may be as much as around 2 billion US\$. It is vital that safety and working environment is built into an installation from the initial draft plans. When completed, it will be extremely expensive to modify an installation to cater for regulatory requirements, if at all possible.



SSP-9911-2-1

Norway is through the EEC-agreement obliged to implement EU-directives. According to this, directives relating to free float of goods and services etc. are directly implemented, whilst the minimum requirements in directives relating to safety and working environment are indirectly implemented in the legislation mentioned above.

Supervisory methodology

NPD supervises the operating companies' compliance with the legal framework, according to the following principles:

- Focus on the participants' duty to see to that regulatory requirements are complied with
- Based on system audits and verifications
- Volume and contents dependent on experience, type of activities, etc
- Conclusions focus on improvement points in the company's management systems

The supervisory strategy is designed to emphasise the principle laid down in the legislation that the licensees are obliged to ensure regulatory compliance at any time. It cannot be – and should not be – the role of authorities to "inspect" safety into the installations. Similar to the principle of goal-setting regulations, detailed inspections carried out by authorities would undermine the participants' perception of total responsibility.

The main purpose of NPD supervisory activities is therefore to verify that the necessary management systems are in place and that they function as presupposed.

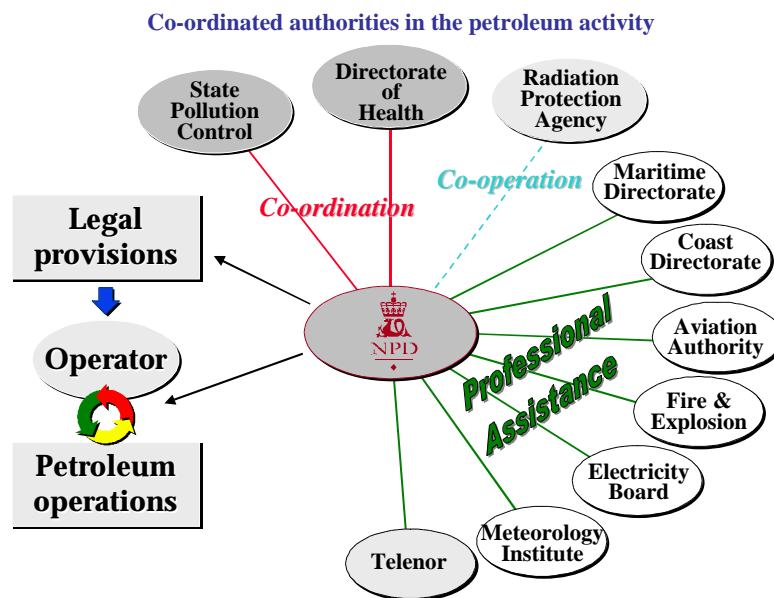
As a consequence of the management system orientation, there are no approval mechanisms in force relating to the management of safety and working environment, because NPD considers an authority approval to imply a

shift in responsibility from the company and over to the approving authority. Hence, the NPD does not approve plans, installations, equipment, personnel qualifications, etc.

An important management tool is the *consent system*. A number of milestones are defined in an offshore development project, at which the operating company has to acquire NPD's consent to enter into the next phase. The basis for a consent is committing statements from the company relating to the regulatory compliance, status on internal audits, etc. The consent implies that NPD, on basis of the statement, is of the opinion that the company is in a position to carry out the project phase in question in compliance with relevant legislation. The consent does not imply approval of hardware etc., and assumes that the company at any time conducts internal auditing, inspection programmes etc. necessary to ensure continuous regulatory compliance.

Co-ordination of authorities

There are two groups of authorities: Those who have, and those who do not have, individual authority in pursuance of legislation in the offshore petroleum activity. Authorities that do not have authority over this activity provide professional assistance to NPD upon request. This implies that NPD does not need to duplicate competence within these particular areas because such competence is available in the various authorities. Towards authorities that do have individual authority, NPD has been appointed as the co-ordinating authority.



This arrangement features advantages for all parties:

- Effective with regard to human resource consumption – no duplication of professional competence
- Effective for the industry – only one authority to relate to in formal processes
- Improved total efficiency on all areas covered by the various authorities due to co-ordinated strategies and plans

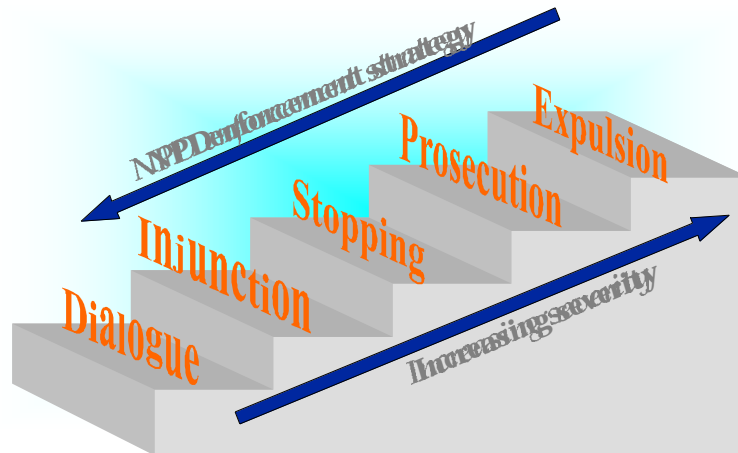
Based among other things with the experience with this model, the Norwegian Government is currently considering if similar principles may be applied on other areas in Norway.

Means of enforcement

As a governmental body, NPD has the power to enact the regulations by means of legally binding injunctions. Normally, a notice will be forwarded to the company in question two weeks before the actual submission of an injunction. The company in question may respond to the notice. Quite often, the response contains a committing statement with regard to remedial actions, which may satisfy NPD, in which case no formal injunction will be issued.

In severe cases of non-compliance, the NPD may recommend that the police investigate the matter as a possible criminal act. In theory, NPD may in worst case recommend to the Ministry that the license in question is withdrawn, on the grounds that the license is granted on the premise that the legislation is complied with. This latter option has never been used, and can hardly be envisaged ever to be used formally. However, unsatisfactory safety performance will be held against the company at a possible application for new licenses.

Means of enforcement



As indicated in the above illustration of the "steps" of enforcement means, NPD is concerned that problems to the extent possible should be sorted out at the lowest level possible. We have succeeded in establishing a positive communication culture between the authorities and the companies, resulting in a high degree of openness with regard to reporting of unwanted incidents and practice. As a consequence, the majority of discrepancies are sorted out at a relatively informal level by means of meetings, fax or e-mail correspondence, etc.