

Why is wreck removal necessary and who pays for it?

Lillehammer Energy Claims Conference

Angela Haylett, Wednesday 7 March 2018



What is a wreck?

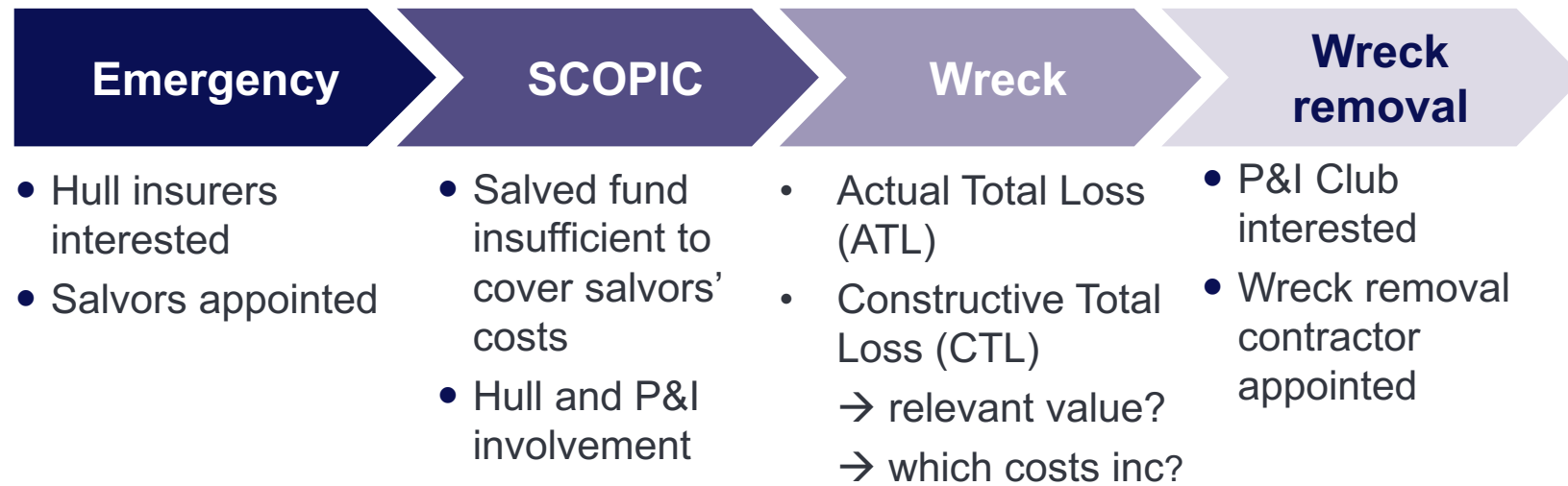
- Wreck of a vessel e.g. tanker, rig or FPSO – includes any object which is or has been on the ship



- Wreck of other offshore energy units e.g. fixed platforms or pipelines – located offshore



When does an emergency become a wreck?

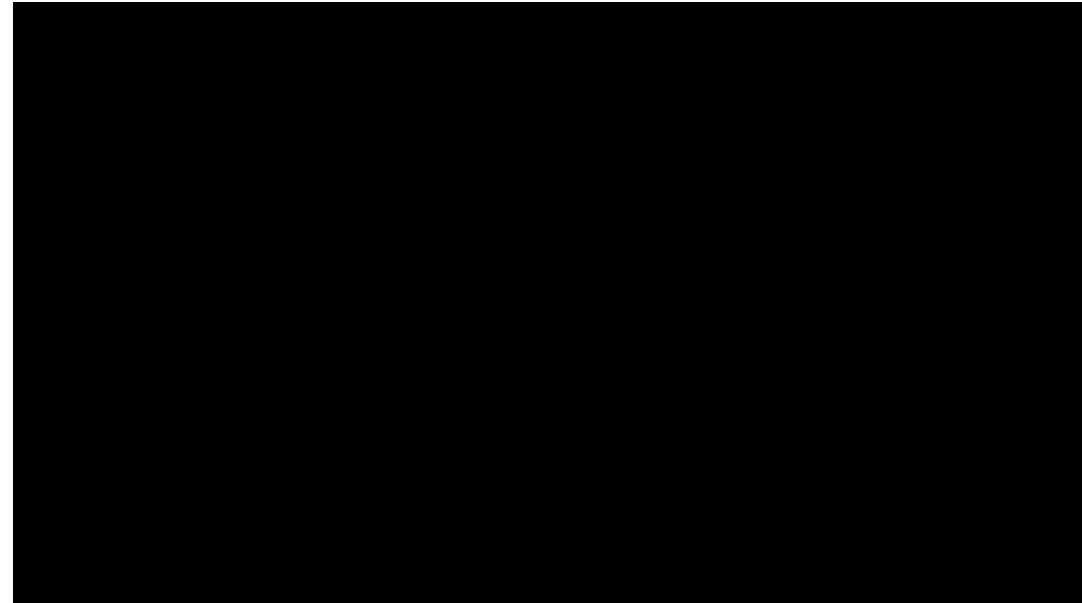


Why bother to remove the wreck? (1)



ABAN PEARL semi-submersible offshore drilling rig – sank offshore Venezuela in 160m of water in May 2010

Wreck never removed



PERRO NEGRO 6 jack-up rig – sank offshore Angola in 40m of water in July 2013

Wreck partially removed within 2 years

Why bother to remove the wreck? (2)

- Local Authority Regulatory Orders
 - (i) Threat to navigation
 - (ii) Threat to marine environment
 - (iii) Condition of seabed
- International Conventions
 - (i) Nairobi International Convention on the Removal of Wrecks, 2007 – came into force 14 April 2015
 - (ii) United Nations Convention on the Law of the Sea
 - (iii) London Dumping Convention 1976 and Protocol
 - (iv) Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR)

**WRECK
REMOVAL
ORDER**

Nairobi Convention

- Significant development in international wreck removal – strict liability and compulsory insurance (and direct right for state to claim against insurers)
- In force in key offshore jurisdictions e.g. UK, Denmark, Nigeria but NOT in others e.g. Norway, Mexico, Venezuela, Saudi Arabia

BUT



- Applies to all seagoing vessels including “*submersible floating craft and floating platforms except when such platforms are on location engaged in the exploration, exploitation or production of seabed mineral resources.*”

Response to Wreck Removal Order

Considerations regarding WRO:

- Who issued it? Competent authority? Combination of authorities?
- Legal basis?
- Extent of removal required – full or partial?
- Final order or negotiable?
- Any basis of challenge?

Who pays to remove it?

- Owner of vessel responsible but generally covered by P&I to meet terms of WRO
- P&I also generally covers pollution clean-up
- But not a poolable P&I risk



Wreck removal process



Contract	Key features
WRECKFIXED	Lump sum payment – no cure no pay
WRECKSTAGE	Staged payments – risk sharing
WRECKHIRE	Daily rates with ceiling – owner’s right to terminate at any time

Non-vessel wrecks (1)

- Fixed structures – no P&I cover
- Wreck removal covered under CAR (covering all JV partners) or package policy (JVs usually separately insured)
- Usually limited by agreement to 25% of lost property's insured value but sometimes specific sub-limits per insured location or unit
- Cover broader than P&I ROW because covers liability imposed by law / regulatory authority AND voluntary removal of wreck that interferes with the assured's operations
- Clauses cover “wreck and/or debris”
- Contingent on covered event under relevant policy

Non-vessel wrecks (2)

- Possible no determination of ROW obligations until expiry of field licence – years or decades later
- Actual ROW costs unknown → often settled for an agreed amount

Piper Alpha platform –
exploded offshore Scotland in
144m of water in July 1988



390

Partners

2000

Legal
professionals

3600

Total staff

50+

Offices and associated
offices in 24 countries