

Our date Our reference Administrative officer
2011-05-05

Your date Your reference

European Commission
Attn.: DG Energy, Unit B3
ENER-CONSULT-OFFSHORE@ec.europa.eu

Subject: Statoil's response to European Commission's consultation on Improving Offshore Safety in Europe

Dear Sir/Madam,

I am writing in response to your consultation document 'Improving Offshore Safety in Europe' in order to offer you Statoil's views on how best to ensure the continued safety of Europe's offshore industry.

It is important first to recognise the events that led to the current European initiative on offshore safety. The tragic accident in the Gulf of Mexico in April 2010 was a humbling experience for us all, and underlined the importance of constant vigilance and continuous improvement with regard to health, safety and the environment (HSE) in the petroleum industry. Following the accident, it was only natural that the European Commission should consider how to ensure that the highest offshore safety standards are in place in Europe.

Statoil views improving compliance with existing best practice as the key to improving offshore safety. The company is working on a range of initiatives to this end. We are also able to draw upon the experience built up by Statoil over 40 years of managing offshore risk in the North Sea and Barents Sea. Ultimately, we believe that through improved compliance, leadership and technical integrity, we can manage the risks of working offshore effectively.

Authorisations

At present, licensing and permitting issues are dealt with at the Member State level within a European framework set by the Hydrocarbons Licensing Directive EC 94/22. In the North Sea area, all states with offshore activities have their own licensing systems. While there are some differences between countries' licensing systems, each one has been developed with the aim of ensuring the application of best practice and the highest technical standards.

The technical and financial standards to which offshore operators must conform promote the highest level of offshore safety while allowing operators of different sizes to exploit the natural resources of the North Sea. Given the potential impact of changes to licensing rules on the very make-up of the offshore oil and gas industry, Statoil believes that the issue of licensing should be the responsibility of the relevant national authority in each of the European offshore oil and gas producing states. They are best placed to judge applications for permits based upon specific local conditions.

Prevention of Accidents

The main goal of existing safety regimes in all North Sea oil and gas producing countries is to prevent accidents. In that context, we would first like to point to the excellent safety record of the North Sea offshore oil and gas industry

Our date Our reference Administrative officer
2011-05-05

Your date Your reference

over the last two decades. This record is the result of an effective and wide-ranging network of existing national and EU regulations and the continued efforts of the industry.

The offshore oil and gas industry in the North Sea is heavily regulated today. At the national level, offshore safety authorities operate performance-based safety regimes which are dynamic and capable of growing with the fast evolving technical developments in the industry. These systems are recognised as being “state-of-the-art” in protecting both offshore workers and the environment from accidents. In addition, this network of systems allows each authority to adapt their approach to their specific working environment.

We believe that the legislation necessary for a “state-of-the-art” offshore safety regime is largely already in place at both the national and EU level. It is our view that the main focus of efforts to raise the standard of offshore safety in Europe should be on improving compliance with existing rules and regulations. Statoil has been pro-active in continuously improving compliance by focusing on leadership, risk management, simplification of management systems and technical integrity and barriers at our facilities.

Prevention through compliance is the key to safe operations. It is impossible to establish a robust safety culture across an organisation without focusing on compliance and leadership. As part of our continuous improvement programme, Statoil embarked on a campaign to train all management teams in safety; how to set and meet performance standards and how to ensure compliance with established management systems. Roll-out of this campaign was initiated in 2009. It is a comprehensive, multiyear commitment that will be intensified in light of the accident in the Gulf of Mexico and experience from our well control incident at Gullfaks C in May 2010.

Statoil has increased the use of risk matrices or registers in its safety work. We find that this gives us a better, more precise understanding of the risk picture and how to identify relevant corrective action. The way we deal with contractors and suppliers working on our behalf is an integral part of this risk picture and the broader discussion about safety management.

When it comes to simplifying and harmonising business processes and governing documents, Statoil has started a process of conversion from text to visualisation. Such changes to the management of complex operations have affected drilling and well, maintenance and modifications, and HSE processes. The drive for flow visualisation of work processes will continue, stimulated by learnings from the accident in the Gulf of Mexico.

Statoil uses a method called Technical Safety Conditions to verify the technical integrity of each installation or plant every five years. We have also developed a system for continuous monitoring of technical integrity to better allow for actions between the verification intervals. Since the Deepwater Horizon accident, moreover, we have verified all well control equipment and systems on all our rigs and installations.

These efforts demonstrate our desire to better manage the risks involved in our offshore activities. Statoil has a good record on offshore safety – but there is always room for improvement. In order to make these improvements, we believe that we are best served not by new regulations, but through better application of existing standards and best practice.

Our date
2011-05-05

Our reference

Administrative officer

Your date

Your reference

3 of 4

Verification of Compliance and Liability

Under the performance-based approach to offshore safety, responsibility for verification of compliance lies with national authorities. They enjoy broad and far-reaching powers to investigate and audit any installation at any time. The existing national institutions providing oversight of offshore activities in the North Sea function successfully due to the carefully developed systems of accountability set up over a period of over forty years and implemented by a small number of highly trained offshore safety specialists within each national authority.

Any EU initiative seeking to improve on national verification systems must demonstrate thoroughly how it would add value to the present set of national approaches. In particular, the small number of highly trained inspectors at the national level represents a very limited resource. Imposing a further layer of verification at the EU level could place considerable strain on national authorities and lead to the disruption of established lines of accountability.

It seems natural for regulators to revisit the issue of liability given the experience of the disaster in the Gulf of Mexico. In terms of liability in Europe, Statoil would like to point out that license holders in the North Sea are responsible for all damages resulting from an offshore accident. However, the requirements for insurance differ between countries. This reflects different approaches to organising the oil and gas sector between European countries. It is Statoil's view that any proposed changes to liability requirements must be mindful of the possible effect that such changes could have on the overall industry structure.

Transparency, Sharing of Information and State-of-the-Art Practices

In terms of transparency and information sharing, Statoil already participates in a number of forums which allow for the sharing of offshore safety-related information both between companies (OGP) and with regulators (NSOAF and IRF).

However, we recognise that this is an area where the industry could improve and we are willing to work with the European Union to examine the most appropriate ways of sharing information, so long as this does not impose requirements on the company to disclose commercially sensitive information.

Statoil sees great value in raising the safety standards to a state-of-the-art level across the EU and would be happy to participate in knowledge-sharing through structured exchange programmes. We also see a natural role for sharing of information through regulators forums, and would suggest the involvement of NSOAF in sharing best-practice in Europe beyond the North Sea.

Emergency Response and International Activities

Statoil is participating in a range of initiatives to improve emergency preparedness and response. Through OGP, Statoil participates in three task forces in the Global Industry Response Group on well design, oil spill response and capping & containment.

It should be noted that the measures adopted for coping with an oil spill around the North Sea vary widely from one country to another. For example, Norway has traditionally been reluctant to use dispersants and focuses on

Our date
2011-05-05

Our reference

Administrative officer

Your date

Your reference

4 of 4

mechanical capture of spilt oil. Other countries have built their response around the use of dispersants. Further co-operation amongst the North Sea countries may be useful in ensuring better preparedness.

On the issue of our international activities, it goes without saying that Statoil must abide by local laws and conditions wherever we work in the world. But it is Statoil's policy to meet the same high safety standards in all our operations worldwide.

Kind regards
Statoil ASA


for Arild Haugland
Senior Vice President
CSO CHSE