

An offshore oil rig is illuminated at night, with a support vessel named 'SEVEN HAVILA' (numbered 7) positioned nearby. The rig's structure is complex, featuring cranes and various platforms. A yellow sign on the rig reads '5604/20 SIRI DONG'. The scene is set against a dark, overcast sky.

2nd East Mediterranean ENERGY LAW FORUM

Select Topics:

- EU Offshore Safety Directive, Financial and Technical Capacity
- 3rd Party Access

2nd East Mediterranean Energy Law Forum

Select Topics

- EU Offshore Safety Directive – Financial and Technical Capacity

- 3rd Party Access



Industries

Shipping, maritime and transport

Energy and offshore

Construction

Global trade

Insurance

Litigation and arbitration

Financial and Technical Capacity

EU Offshore Safety Directive"Member states...take into account capability of applicant to meet the requirement for operations..as required by the...Union law, in particular this Directive"

Directive leaves scope for freedom in implementation

Evidence of technical and financial capability

Stage specific

Operator / Non-operator

Financial and Technical Capacity

By and large Denmark had relevant requirements already enacted. Directive meant greater systemisation:

- Capacity requirement dependent on stage of operations
- New assesment for each subsequent stage – power to revoke
- Right at any time to request evidence of capacity – power to revoke
- Insurance requirements
- Security for fulfilment of obligations

Financial and Technical Capacity

- ❑ Detailed guidelines on security & insurance and technical capacity

- ❑ Financial capacity – an initial guideline withdrawn. Rigid and mathematical in approach.
 - Danish CS competes for investment !
 - Smaller E&P companies
 - Often no official rating (Moody's / Fitch/S&P)
 - No replacement guideline
 - Case-by-case approach

Financial and Technical Capacity

What is a financially sound E&P company?

- Equity
- Earnings
- Value of any security
- Insurance

Liabilities:

- Work obligations / committed OPEX/CAPEX
- Financial reserve – accidents
- Decommissioning (if applicable)

Financial and Technical Capacity

Phase 1: Exploration – processing of existing data

Phase 2: Exploration – seismic & other prelim. investigations

Phase 3: Exploration – with drilling

Phase 4: Development – including production wells

Phase 5: Production

Phase 6: Decommissioning

General rule: Parent Company Guarantee (PCG), uncapped and with no time limit (no official rating requirement).

Exceptions: No PCG (phase 1) or capped/time limited PCG or bank guarantee or payment into escrow account (all phases)

Financial and Technical Capacity

17 October 2018 – Breaking News:

“Noreco acquires Shell’s Danish upstream assets”

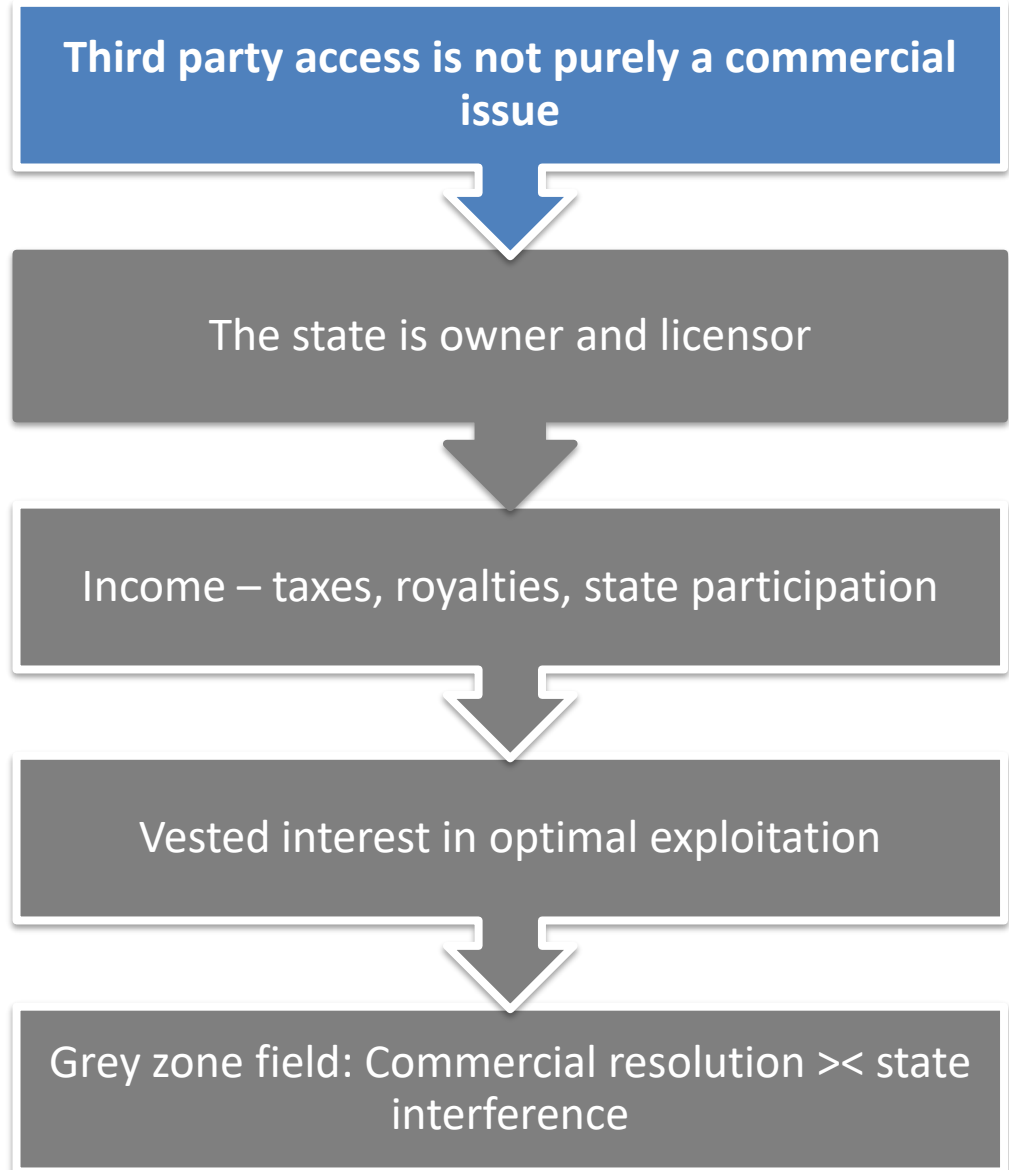
- Includes 13 producing fields / non-operated assets
- Purchase price – appr. USD 1.7 billion (eff. date 1.1.17)
- Noreco market cap: USD 270 million
 - new seven year reserve based lending bank facility, USD 900 million
 - USD 160 million convertible bond
 - USD 400 million private placement
 - No significant cashflow from other assets / activities

Financial and Technical Capacity

Technical capacity - a few words

- Operator / Non-Operator ("see to" obligation)
- Sufficient for the specific work programme / phase – ability to prevent / reduce risk of incidents
- External assistance may be relied on (say consultants)
- If Operator no longer fulfills requirement – burden on non-operator (or revocation)

Third-party access



Third-party access

North Sea – UK, Norway & Denmark all have TPA regulation in place

Mature regions

Marginal fields becoming commonplace

Unused capacity of infrastructure

Smaller players entering

Oil/gas:

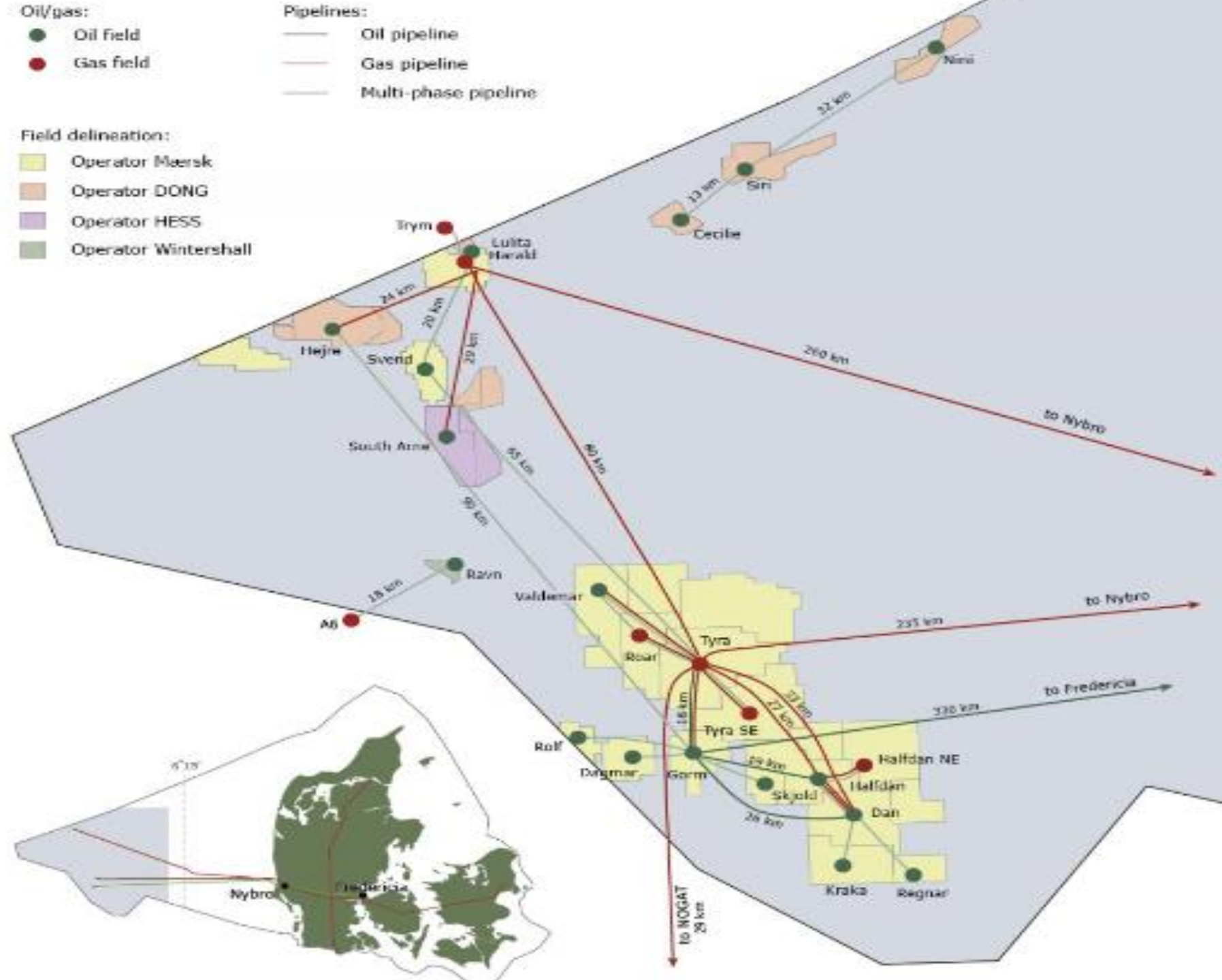
- Oil field
- Gas field

Pipelines:

- Oil pipeline
- Gas pipeline
- Multi-phase pipeline

Field delineation:

- Operator Mærsk
- Operator DONG
- Operator HESS
- Operator Wintershall



Third-party access

2012 - Industry report on the future for the DKCS

Strengthening of TPA regime.

New:

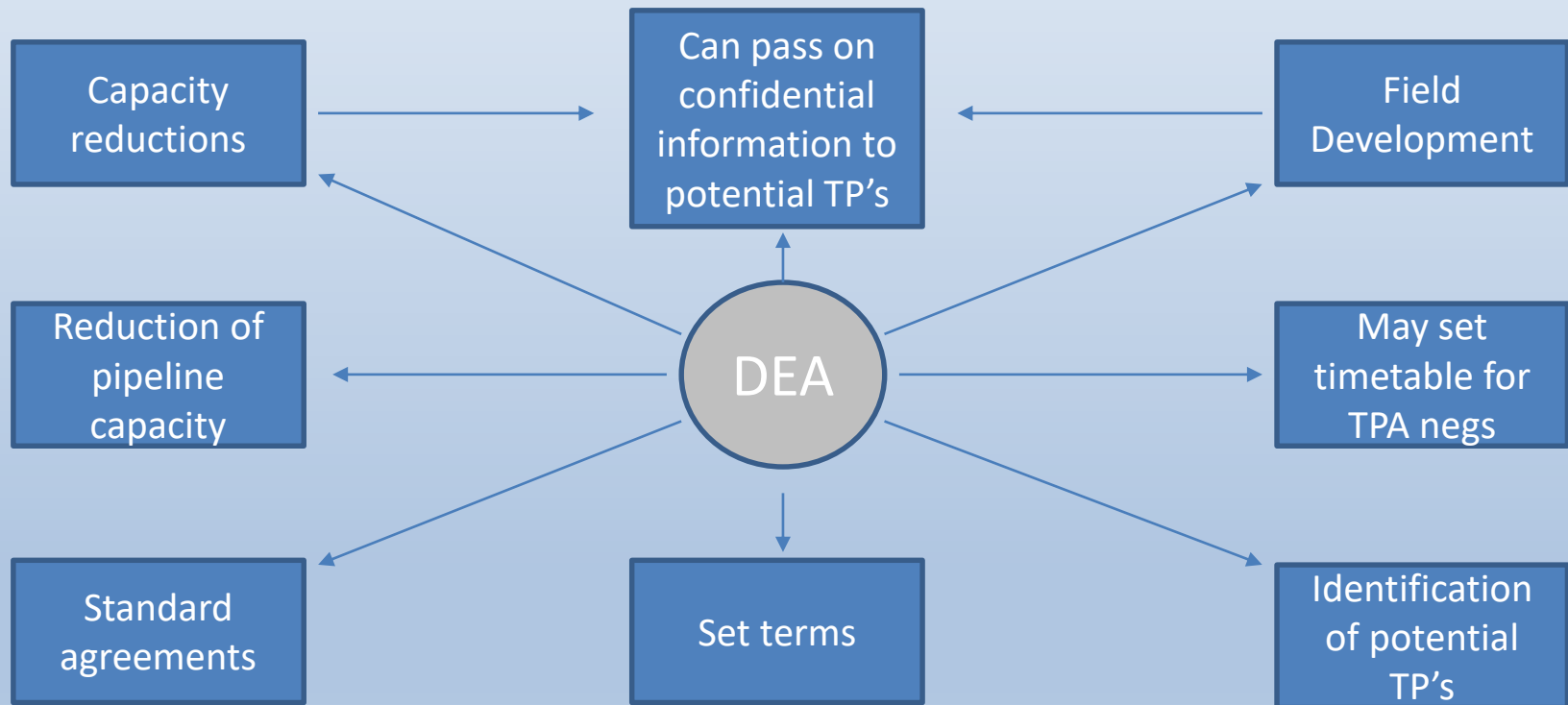
Addresses issues also in relation to planned infrastructure and to planned changes to existing infrastructure

Principle:

Profits shall mainly fall to the owner of the accumulation (risk / reward)

Third-party access

Greater powers to and a more active role for the Danish Licensing Authority (Danish Energy Agency - DEA)



Third-party access

Means:

- **Greater transparency**
- **Forseeability**
- **Easier access**
- **Faster access**

Ambitions:

- **Danish CS a competitive market**
- **More inward investment**
- **prevent stranded marginal fields**

A large offshore oil rig is illuminated at night, with its complex structure of pipes, cranes, and towers visible against a dark sky. The rig is supported by several thick black legs extending into the water. In the foreground, a red and white support vessel is docked at the rig. The vessel has a large white number '7' on its side and is also lit up. The water is dark with some whitecaps. The overall scene is industrial and dramatic.

Thankyou

Carsten Tolderlund, partner