



Platform Decommissioning and Marine Habitat Preservation

August 22, 2012

Summary

The oil and gas Industry is a strong supporter of the existing Rigs-to-Reefs program. As of July 2012, Industry has reefed 435 platforms in the Gulf of Mexico as an integral part of fulfilling decommissioning obligations. We believe the program is a win for the oil and gas industry, the Gulf Coast States, the recreational and commercial fisheries in the Gulf of Mexico, and ultimately for preserving the rich and diverse living coral, invertebrate and fish communities in the Gulf.

Industry believes that changes to state reefing programs are necessary to ensure a program that can be sustained into perpetuity. Industry would like to work with federal and state regulatory authorities, the Gulf of Mexico Regional Fishery Council, and other stakeholders to advance decommissioning practices to promote the orderly decommissioning of infrastructure while maintaining productive habitat in the marine environment and to define and implement a sustainable reefing program in the Gulf that benefits all parties.

The reefing program has proven to be very successful for industry and the various states as well other users of the Gulf of Mexico and we are committed to an orderly process for decommissioning infrastructure while increasing the number of platforms that can remain in the Gulf and act as fisheries habitat.

Two outstanding but related issues are currently being supported or discussed by the Gulf of Mexico Fisheries Management Council, the recreational fishing community and an assortment of NGOs:

1. A moratorium on infrastructure removal
2. The designation of oil and gas platforms in the Gulf of Mexico as Essential Fish Habitat (EFH)

Moratorium:

The timely and orderly decommissioning of oil and gas platforms is required by the regulations and is necessary to protect the marine environment and its users. The primary objective of the reefing program is to offset the loss of habitat due to decommissioning while maintaining safety of operations, regulatory compliance, and avoidance of creation of navigational hazards.

A moratorium on platform removal could leave platforms in place that are no longer fit for service nor have any reefing value. In addition, leaving aging platforms in place that are at risk for loss during hurricanes introduces risk to all marine users and adds significant complexity into the resulting required salvage operations. Not allowing for the orderly abandonment of identified platforms not only puts these facilities at risk but also potentially compromises the safety of the marine environment for all users as well as poses risks to integrity of surrounding infrastructure and assets as a result of exposure to storm events.



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The moratoriums currently being proposed on platform removal if enacted would impact near-term removal of infrastructure from the Gulf of Mexico that may support productive biological habitat however does not provide an effective long term solution to the problem and brings unintended consequences as described above. Further it creates the most hardship on operators who have active abandonment campaigns in place and long term contracts signed in order to manage their end of life obligations as required by the law. Those operators who actively support and contribute structures to the reefing programs in place today will be subject to significant incremental costs to maintain facilities that have no further utility and will assume increased exposure to future liability associated with hurricane platform loss that will span an indefinite number of years.

- Long term maintenance costs for idle platforms with decks remaining are estimated at a minimum of \$250,000 per year. This includes navigation aid maintenance and painting and anode replacement to prevent corrosion. But this does not include any structural surveys or repairs which could drive costs up exponentially.
- Criteria for prioritizing platform removal include future utility as well as likelihood of withstanding future hurricanes. With abandonment costs of platforms downed by hurricanes costing 10 to 15 times more to remove as compared to standing platforms, forcing companies to defer abandonment of these structures represents significant and unnecessary financial exposure.
- Any potential cost savings from deferring platform removal will not cover the cost of long-term platform maintenance nor offset the exposure to liability from hurricane platform loss.
- Increases the exposure of Operators to the assumption of liability associated with unfulfilled decommissioning obligations on leases in which they in which they formerly had an interest.

Essential Fish Habitat (EFH) Designation

The Magnuson-Stevens Fishery Conservation and Management Act, as amended by the Sustainable Fisheries Act of 1996 (Public Law 104-267), requires "essential fish habitat" (EFH) to be described and identified in each fishery management plan. Essential Fish Habitat is defined as "those waters and substrate necessary to fish for spawning, breeding, feeding, or growth to maturity". EFH is designated by the National Marine Fisheries Service (NOAA Fisheries) (50 CFR 600) and regional Fisheries Management Councils, such as the Gulf of Mexico Regional Fisheries Management Council.

Federal agencies must consult with NMFS for any actions authorized, funded, or undertaken; or proposed to be authorized, funded, or undertaken that may adversely affect EFH. Almost the entire GOM is designated as EFH, which has triggered BOEM consultation with NMFS at the Programmatic EIS level. The Programmatic EIS from the 2012-2017 lease sale for the Western and Central Planning Area contains an overview of the EFH consultation process, which was reinitiated after Macondo.



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Consultation recommendations are non-binding. NMFS has no regulatory authority to enforce EFH compliance. However, private citizens or groups have the option of legal action to ensure compliance with environmental laws.

The Gulf of Mexico Fisheries Management Council has begun the process of designating fixed petroleum platforms and artificial reefs in the Gulf of Mexico as EFH.¹ One of the alternatives being considered is the designation of fixed petroleum platforms as Habitat Areas of Particular Concern (HAPC). EFH-HAPC designation is a subset of EFH designation. EFH-HAPCs are not subject to any additional regulations; however, they are often subject to more stringent EFH conservation recommendations than EFH.

Any significant future change to the existing EFH designations, such as designating HAPCS would require BOEM to reinstate EFH consultation for their leasing process. They may also choose to update the Programmatic Environmental Assessment for Structural Removal Activities (USDOJ, MMS, 2005).

EFH designation for oil and gas structures is therefore assumed to have impacts on both decommissioning platforms and existing platform operations.

- Decommissioning permits to remove structures designated as EFH would require consultation between agencies and subsequently could create extended delays in receipt of permits, furthering delay of removal to those structures needing to be removed. In addition, meeting the one year lease obligation to remove a structure would be increasingly challenged.
- EFH designation could create a long term moratorium on platform removal and could possibly eliminate the sometimes necessary use of explosives in platform removal.
- EFH designation of platforms could result in the need for increased studies and consultations in support of the OCS program and the activities envisioned by the program and lease operations.
- EFH designation could disrupt normal platform operations and currently allowed activities on existing leases.

EFH designation could require all platforms be left surface piercing with required navigational aids in perpetuity. Any navigational aids failure on platforms left standing in place as reefs would create a significant safety hazard to vessel navigation. Given the extreme weather events in the Gulf of Mexico, the navigational aids on structures standing in place as reefs would have to be checked immediately after each weather event which would be difficult to administer and represents significant operational risk for personnel conducting the operations. Damaged structures that would be unsafe to board would require the use of other devices including the installation of surface markers and buoys to properly

¹ "Fixed Petroleum Platforms and Artificial Reefs as Essential Fish Habitat: Options Paper. Generic amendment number 4 to Fishery Management Plans in the Gulf of Mexico, including Environmental Impact Statement, Fishery Impact Statement, Regulatory Impact Review, and Regulatory Flexibility Act Analysis. June 2012. Publication of the Gulf of Mexico Management Council.



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protect against being an unrecognized navigational hazard. Such protective measures would take time to put in place and therefore leave potential risks to other users unmitigated.

Summary

The Artificial Reef program is a winning situation for all involved. The artificial reef programs of the GOM coastal states has and continues to be an active and critical component of the abandonment plans of many operators. The state benefits by receiving funds for the management of marine habitat, the environment benefits from the artificial reef and the companies benefit by reducing dismantling costs

There is opportunity for long term win/win solutions for all interested parties, particularly an expansion of the existing rigs-to-reefs program, and we are willing to work with affected stakeholders to accomplish this objective. Ultimately improvements should consider the following:

- For long term sustainability,
 - consideration should be given to changes to BSEE and BOEM regulations and policies; and requirements of lease instruments to advance decommissioning practices to promote the orderly decommissioning of infrastructure while maintaining productive habitat in the marine environment;
 - new pre-approved reef planning areas closer to shore should be added so that more shallow water platforms can be reefed and for easier access by fishing and diving interests;
 - the existing requirement for 85' of water cover over platform reefs needs to be modified to a sliding scale based on water depth so that more platforms can be reefed in shallow waters and closer to shore; and
 - the reef donation to the state in exchange for the state taking long term liability for the reef is the back bone of the rigs-to-reefs program and must be retained unless another vehicle is put in place to remove liability from the Lessee.

- To address near-term issues,
 - the blanket prohibition on reef permit sitings imposed by BSEE in their December 2009 Rigs-to-reefs Policy Addendum should be re-evaluated;
 - the artificial reef permit process which requires coordination of both federal and state agencies needs to be streamlined; and
 - reconsideration should be given to permitting Special Artificial Reef Sites (SARS) to allow for a reef-in-place option when the structure is not located in an already existing reef planning area

Opportunity / Next Steps

GEST proposes to host a workshop of the affected stakeholders to address the issue. The goal of the workshop would be to advance timely decommissioning of structures while promoting practices to keep



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productive and beneficial marine habitat in the marine environment. The goal of the workshop would be to

- understand the effectiveness of and identify improvements to state reefing programs to assure sustainability into the future;
- understand current state of and advances being made in decommissioning technology;
- advance decommissioning practices; and
- streamline the permitting process

Proposed stakeholders would include BSEE, BOEM, USCG, NMFS, USACOE, managers of Gulf of Mexico Coastal State Reefing Programs and representatives of fisheries interests. Given the urgency of the matter, we are prepared to start working to advance this collaborative engagement immediately.