



Foresight

Health and Safety

It goes almost without saying that the industry is facing some of its most challenging days - production is declining as the most easily accessed reserves are exhausted. Recent discoveries tend to be in deeper waters and under higher temperatures and pressures, pushing the boundaries of technological capabilities meaning that the workforce and assets face ever more extreme environments and conditions.

This, together with lowering returns and ageing infrastructure, has meant an additional need for expenditure to secure asset integrity. The slump in the price of oil in recent times has also led to a reduction and loss of vital experience in the industry which, combined with an already ageing workforce, means the industry faces a challenge to secure sufficient, competent engineers and personnel to meet the safety challenges posed by more and more extreme working environments and ageing infrastructure.

'But are we not all in the same boat (or should that be drillship)?' you might ask. The temptation in the current climate might be to assume that by simply keeping heads above water where matters of safety and asset integrity are concerned, that this will suffice until the economic climate begins to improve. However, decisions and actions taken now have the potential to impact upon your ability to carry on operations and increase production once prices pick up again.

Consider in the current climate the impact that a large fine (and if recent examples in England are to be followed, that could mean into tens of millions for fatalities involving very large companies) could have on your business; consider the impact that production downtime following a major incident can have; consider also the effect upon insurance premiums, the potential diminution of the value of any asset caused by a maintenance backlog, the publicity and bad press associated with any major safety or pollution incident, and so on it goes... The bottom line is that safety can and so often does affect your bottom line in a way that is frequently overlooked.

Earlier this summer, industry body Oil and Gas UK reported a growing backlog of safety-critical maintenance on offshore installations. Its annual health and safety report said the trend had been growing since companies began reporting in January 2009. This is significant given the new requirements of the Offshore Safety Directive ('OSD') and the implementing legislation in the UK, which came into force on 19 July 2015. The backlog of safety-critical maintenance will require to be addressed by the industry as part of its continued focus on safety, particularly, in the light of the OSD which requires that all suitable measures are taken to prevent major accidents in offshore oil and gas operations.

So, at a time when so many good and experienced staff are being lost by the industry, why not consider instead divesting idle resources into addressing these matters? Could your safety performance be reviewed or improved? The danger is that those staff with the knowledge, experience and familiarity with asset and company procedures may not still be here at the other side when they may be sorely needed. The workforce needs to be not only competent to understand what is necessary and what should be in place to protect them, but they also need to be actively engaged in major hazard control and recognising systemic failures. The focus on health and safety should always be at the forefront, from leadership downwards.

In making safety your current priority and by ensuring resources and staff are invested in it, the benefits can surely only be reaped when prices recover and 'normal' operations resume.

This is the latest Foresight article in our Transformation series looking at the future of North Sea Oil and Gas. Discussing various issues from technology to employment and disputes, our sector experts offer their commercial opinions on the future of the industry. Please feel free to forward this Foresight to a colleague or to subscribe to our mailing list here CMSEmployment.Team@cms-cmck.com.

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