



Irish Offshore
Operators'
Association

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Ms. Róisín Cullinan,
Technical Analyst,
Petroleum Safety,
Commission for Energy Regulation,
The Exchange, Belgard Square North,
Tallaght,
Dublin 24.

8th August, 2012

Dear Ms. Cullinan,

The Irish Offshore Operator's Association (IOOA), whilst welcoming the most recent Consultation Paper on the Annual Petroleum Safety Levy Order issued on 12th July 2012, is alarmed at both the level of costs and the repayment methodologies proposed by the CER. IOOA, from the beginning, has supported the proposed Framework, and as an organisation representing Ireland's offshore oil & gas operators, have engaged constructively to date on its implementation. However, the current proposal to levy charges, whilst having its basis in the Petroleum (Exploration and Extraction) Safety Act, 2010 (PEES Act), takes no account of the scale and maturity of an industry which has been operating safely offshore Ireland for 40 years. In addition, we believe the scale of the costs is entirely unrealistic, and should be reassessed as a matter of urgency. IOOA believes that the proposal is unacceptable in its current form based on the following key issues:

1. Level of Costs

The Consultation Paper states that the cost of establishing the Framework was approximately €5.7 million and goes on to state that the CER's operating costs, beginning in 2013, are estimated to range from €1 to €1.5 million annually in the initial years of operation. All of this before a single safety case is considered and indeed when such an evaluation occurs, an additional fee is being proposed on top of the Framework and Operation costs. This is quite extraordinary and calls into question the entire basis of giving the CER responsibility for the implementation of safety regulation as defined in the PEES Act, when other existing organisations could potentially take on this role without recourse to the excessive level of costs now being proposed. In our view, the cost of administering the Petroleum Safety Framework should be benchmarked against similar costs in other jurisdictions and set at a competitive level.

2. Cost Breakdown

IOOA and its members request a detailed breakdown of the Framework costs in order to properly assess the basis for the proposed charges. On the current estimate of €5.7 million and assuming a €100/hr charge-out rate, this equates to approximately 32 man years for the



Framework establishment costs alone. This is a remarkable figure given the scale and maturity of the Industry in Ireland and the fact that it has been operating offshore Ireland for 40 years without a single major incident.

3. Methodology

The Consultation Paper proposes alternative methodologies for recovering costs. IOOA considers that both of these are unsuitable and ignore the low level of activity that currently prevails in the Irish oil & gas sector. IOOA has previously expressed concern about the scale of costs associated with the establishment and operation of the Framework, given the small scale and intermittent level of activity of the industry in Ireland. In previous communication with the CER, we stated:

“We are particularly concerned at the possible duplication of effort, in terms of organisation and consultancy expenditure, in setting up a system which is very similar to that already in place and operating successfully for the regulation of onshore “Seveso” sites i.e. the Health and Safety Authority (HSA). For example, we believe the existing technical expertise in the HSA should be used to support the technical aspects of the CER Framework, to avoid the recruitment of either additional staff or use of external consultants”

IOOA members feel aggrieved that these points of view have not been taken into consideration and are alarmed at the excessive nature of the costs, along with the proposed manner of their repayment, given that only a small number of operators currently fall into the Safety Case regime. We challenge the CER to adopt an equitable methodology that reflect current business conditions as well as the need for a team and cost base commensurate with the size of the Industry in Ireland.

IOOA submits that there needs to be further detailed analysis and debate on the organisational requirements of the CER and the ensuing costs to be imposed on the industry. This analysis should take into account both international norms and the specific status of the situation in Ireland, as outlined above. We would further point out that the imposition of what can only be regarded as penal and unnecessary costs on the industry will serve as a further disincentive to exploration, which is already running at very low levels by any international comparison.



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IOOA thanks the CER for the opportunity to comment and wishes to emphasise that we are more than willing to meet in person to share our considerable disquiet at these developments.

Yours sincerely,

Fergus Cahill,
Chairman, IOOA

*Member Companies of IOOA: ENI Ireland BV; ExxonMobil; Lansdowne Oil & Gas;
PSE Kinsale Energy Ltd; Providence Resources Plc; Repsol; Serica Energy; Shell E&P Ireland Ltd;
Statoil.*

