

EXTRACTS FROM OPENING ADDRESS AT BOOK LAUNCH OF *The Application of Contracts in Developing Offshore Oil and Gas Projects*

The Honourable Justice Digby, Judge in Charge of the Admiralty List and the Technology, Engineering and Construction List

As is readily appreciated, the risks in offshore oil and gas construction and operation are significantly different from and often greater than those in onshore projects.

The Book we are here to launch this evening provides guidance in relation to a number of issues concerned with identifying and managing risks, before project execution and during the course of project delivery, not the least of which is the apparently mundane, but frequently ignored, need for all parties concerned to read and understand the relevant contracts.

The Application of Contracts in Developing Offshore Oil and Gas Projects is helpfully aimed at a broader audience than lawyers alone. Project Owners, Project Managers, Contractors, Finance Managers, Commercial Managers and Engineers also need to understand the legal environment in which they operate, and the particular contractual requirements in relation to such projects, including the regulatory requirements. Such an understanding amongst the responsible consultant team, including the lawyers is material to the development of efficient and safe offshore oil and gas projects.

Accordingly, familiarity with the landscape of the offshore oil and gas industry and in particular the delivery of the offshore infrastructure required to tap, recover and sometimes process offshore reserves, is essential to all lawyers and other key professional consultants in this specialist area.

In this specialist setting a lawyer will be expected to contribute to decisions as to which contract strategy is most likely to meet the expectations of the many stakeholders, and how identified risks are best allocated and managed. Most helpfully, this Book identifies and discusses these issues and the practises which are peculiar to legal contracts in the industry and which have proven to be effective.

Such familiarity and conversance, for example, includes a working understanding of industry modules and specific terminology, including the many acronyms employed in this specialist industry.

Amongst other practical features, this Loots and Charrett Book contains an extensive and helpful glossary of many of the terms of art used in offshore oil and gas projects.

More substantially, this work comprises 21 comprehensive and detailed Chapters traversing the critical areas involved in contracting in the setting of offshore oil and gas projects. These Chapters include:

- Contract strategy;
- Identification and review of contracts for oil and gas projects;

- Consideration of procurement criteria;
- Risk allocation and insurance;
- A review of the considerations pertinent to International Contracting;
- A review of the key considerations involved in managing risk; and
- A chapter on decommissioning (which includes consideration of the likely regulatory issues).

The large capital investment and anticipated cash flow associated with offshore oil and gas projects mean that investment decisions, engineering, and project management need to be meticulously planned and executed. Any changes in scope and delay in completion will have significant financial consequences.

This Book provides an overview of the steps involved in developing oil and gas projects, provides an understanding of the likely engineering and legal issues, and outlines the contractual and legal strategies and solutions which may be most suitable.

Phil Loots' and Don Charrett's work affords an understanding of the nuts and bolts (or perhaps more aptly, the members, flanges processes and componentry) of the key technologies; equipment challenges in that engineering landscape; the likely legal challenges and how to identify and manage them.

Given the international reach of the oil and gas industry, many of the contracts include provision for international arbitration. There are a number of associated contract drafting issues best understood by those who really are very familiar with the project to be delivered and the array of dispute resolution mechanisms available.

This work addresses such issues, including providing a valuable understanding of the framework and procedural structures within which international arbitration of relevant disputes may be resolved.

In their characteristically thorough manner, Phil Loots' and Don Charrett's work also provides to the reader a familiarity with the standard international forms of contract, in addition to the FIDIC suite of contracts, including:

- (a) the Leading Oil and Gas Industry Competitiveness standard forms initially developed for use in the North Sea, now used internationally;
 - (b) the various standard forms of ship building contracts such as The Shipbuilders Association of Japan form, which is the most common shipbuilding contract in use;
- and a number of other key standard contracts of likely relevance.

In essence this Book sets out to provide the many categories of professionals tasked with the responsibility of working in the oil and gas industry, with a better understanding of the peculiarities of this most interesting and economically important area of discipline and practice.

I am more than confident that this Book will elevate such professionals to a greater level of understanding of the legal and engineering framework within which they are working and will enhance their competence and satisfaction as practitioners.

I shall conclude by thanking the Authors for asking me to speak, and to all of you for listening, and by commending *The Application of Contracts in Developing Offshore Oil and Gas Projects* to you all, and declaring this excellent Book launched. I wish it, and the authors, well deserved success.