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Malaysia's decommissioning dilemma: Is 'rigs to reefs' a solution?

Aug 27, 2010

Oil and gas decommissioning in Malaysian waters is about to ramp up, but operators, offshore contractors and regulators remain unprepared.

Francesca Boothby reports.

By Francesca Boothby

With over 600 installations over 25 years old in Asia Pacific waters, and over 328 new structures in Malaysian waters since 2001, the decommissioning market in the region is set to boom.

But a shortage of facilities, complex regulatory framework, and weak enforcement indicate that the market remains unprepared.

Decommissioning activity is to ramp up significantly in coming years, and Malaysia is belatedly waking up to its predicament. As Ingeborg McNicoll from Environmental Resources Management in Malaysia observed: "There has now been a conversation about decommissioning in Malaysia every month and this is the first year I have experienced that".



Complex regulation, lax rules

While current regulation regarding decommissioning in Malaysia is fairly complex, operators are only required (by the ministry for environment) to set out their decommissioning plans 6 months prior to decommissioning.

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Malaysia's legislation is built around the major relevant international conventions such as the London Dumping Convention 1972/1996; United Nations Convention on the Law of the Sea (UNCLOS) 1982; and the International Maritime Organisation's (IMO) Guidelines and Standards 1992.

In addition, Petronas, the national oil company to which all major operators are contracted, has defined its own guidelines for decommissioning. These reflect the points of the international treaties concerning issues such as the use of explosives, regulation of chemical discharge, rock sediments, noise pollution, and waste disposal.

To add to the mix, individual companies have also formed their own internal guidelines based on experience in the North Sea and the Gulf of Mexico. However, despite this and other legislation such as the Environmental Quality Act of 1974 being in place, Malaysia's regulatory framework is not robust compared to other tightly organised international frameworks.

As Tim Dallas of Clough Helix points out, where decommissioning in Malaysia is concerned: "Regulation often does not exist and where it does exist it is often not enforced".

Rigs to reefs potential

Malaysia as a case study for decommissioning is very interesting. Firstly rig removal is a billion-dollar-a-year business. Costly and lengthy, under current international legislation all platforms built after 1998 must be completely removable.

Malaysia however, has a shortage of decommissioning yards. Bringing the parts to shore and managing waste disposal is therefore a major challenge.

As yet, however, there is no solid regulation pertaining to rig to reef programmes. Rig to reef programmes are becoming increasingly attractive to oil companies, as by removing only part of the structure they could be saving millions.

Malaysia lends itself well to rig to reef programmes due to the shallow waters (150 meters depth) of the continental shelf. This could emulate the success of programmes in the Gulf of Mexico where conditions are similar and 200 platforms have been converted to artificial reefs.

Short on experience, long on success

Despite these promising factors there have been only 2 major rig to reef programmes in Malaysian waters to date. Shell Malaysia have been heavily involved in both of these but it is likely that they are the only company to have

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One project was conducted onshore in Sarawak where the structure Baram 8 was sunk to add to the Siwa reef. Shell also has experience in the field via a Brunei project originally started in 1988, where structures have been steadily added and results monitored over time. Baram 8 was the first project of its kind in Malaysia and the Shell experience emphasised the consensual nature of operations in the region.

The project required major cooperation from many sources including local and federal government, the Fisheries Department, the Ministry of Environment and the Sarawak Tourist Board to name just the major players.

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After a series of reports and marine surveys, results showed that the Baram 8 platform was covered in dendronephthya soft corals, fish were using the rig as migratory location points and in Brunei there was a marked difference between the 1996 and 1999 surveys where there had been major growth in marine life. The results of these exciting projects are to be discussed in depth for the first time at the Decommissioning Summit in Singapore this October and could have a major part to play in recommending regulation for the future.

The road ahead

Despite its bright future, the decommissioning market in Malaysia is still very much at the development stage. As Ingeborg McNicoll at ERM notes: "The industry is operating in a form of hindsight, platforms were not built with decommissioning in mind".

McNicoll points to an ideal scenario in which decommissioning would be incorporated into any planning from the beginning, rather than 6 months prior to the decommissioning project itself.

In Malaysia finding and monitoring suitable sites for rig to reef programmes is managed through Production Sharing Contracts (PSC) and cost/benefit analyses are conducted on a strictly case-by-case basis. With a growing number of structures being left in the sea in the years to come, these contracts will become of vital environmental importance.

With oil companies, governments, tourism bodies and environmental groups all keen to find viable and mutually beneficial ways of handling decommissioning, there are high hopes that the Malaysian authorities will deliver clearer rules and a more robust regulatory framework in the near term.

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