SUT WORKSHOP

RAPID RESPONSE – USING LOF IN OFFSHORE PROJECTS

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INTRODUCTION

USING LOF IN THE OFFSHORE INDUSTRY

• Lloyds Open Form – key concepts
• The use of LOF in the offshore industry
• Oil field specific issues
• Other complicating factors
• Possible amendments to the LOF
• Opportunities
• No Cure – No Pay
• Best endeavours contract
• Salved values assessed as at date and place of termination
• Salved property contributes pro rata to their share of overall fund
• Security on salvors' best reasonably arguable case - 21 days
• "Encouraging" award balanced with fairness
SITUATION DEPENDENT CONTRACTING

WHEN TO USE LOF

- Imminent danger and/or threat to the environment or where time is of the essence
- Simplicity of the contract speed in which the parties can agree a contract
- Location of the casualty
- Internationally recognised
- Financial exposure – Salvors’ and the Owners
EXAMPLES

LOF IN THE OFFSHORE SECTOR

EXAMPLES

• “P36” – Brazil
• “Cristoforo Colombo” – Sakhalin
• “Thunderhorse” – GoM
• “Deepwater Horizon” – GoM
• “Transocean Marinas” – Ghana
• “Kulluk” – Alaska
• “Perro Negro VI” – Angola
• “Super Puma AS332” – North Sea

• “Troll Solution” – GoM
• “Transocean Winner” – Scotland
• “Nor Solon” – North Sea
ASSESSING THE AWARD
ARTICLE 13 CRITERIA

- Salved value of the vessel and other property
- Minimising environmental damage
- Measure of success
- Nature and degree of danger
- Skill and efforts of the salvor

- Time used and expenses incurred
- Risk of liability
- Promptness of services rendered
- Alternative assistance
- State of readiness of salvors' equipment
• Pressure on production
• Liability insurance vs. self insured
• Different liability regimes
• Bringing a claim - operator group vs. contractor group
• Understanding the regulatory regimes
• Use of non-oilfield vendors
OTHER COMPLICATING FACTORS

• Heavily controlled and regulated environment

• Level of planning detail – c.f. the salvage plan vs. project execution plan

• Joint experience vs. management of change

• Reputation is key – oil majors priorities sometimes differ to those engaged in conventional shipping
• Use LOF where appropriate and consider it as part of a “suite” of contracts

• Proposed changes to the LOF form – LOF 2018

• The “rescue tow clause”

• Extending Clause 13 to 15 for multi-b/l cargo

• Automatic incorporation of SCOPIC

• FCAP amendments to the costs limit

• Greater recognition for environmental protection services

• Better education on the use of LOF in the offshore industry

• Greater transparency with the publication of awards
• Compulsory insurance for salvors operating in field or incorporation of K4K regime into the LOF

• Agreed mechanism to value the asset e.g. insured value or book value (applying International Accounting Standard Rule 36)

• Simple capped awards

• Agreed procedure for situations where there is a risk of a significant spill, blow out or loss of containment after a LOF contract has been agreed

• Pre-agreed documentation to meet with HSE and operators requirements
THE SHAPE OF THINGS TO COME?
CONTRACTOR INVESTMENT

Allseas: "Pioneering Spirit" – circa €1.7 billion

Heerema: semi-submersible crane vessel – circa €2.4 billion

Dockwise: V-Class
heavy lift
• Emergency response planning and procedures
• Decommissioning
• Wind farms
• Other “non standard” assets used in field