DECOMMISSIONING LIABILITY TRANSFER IN THE NORTH SEA

CONTRACTUAL, STATUTORY AND SECURITY RISKS FOR OPERATORS AND SERVICE PROVIDERS

by

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Introduction

The North Sea is entering an advanced phase of field maturity, with decommissioning now a dominant activity for many operators and supply chain entities. The UK Continental Shelf (UKCS) alone faces billions of pounds of decommissioning expenditure over the next decade, governed by a regulatory framework that places **statutory primacy on decommissioning obligations**, irrespective of commercial transactions or corporate restructuring.

Against this backdrop, Decommissioning Security Agreements (DSAs), parent company guarantees (PCGs), letters of credit, trust arrangements, abandonment funds and other financial assurance instruments have become indispensable tools for balancing commercial viability with regulatory certainty. Yet many operators, investors and service providers still treat decommissioning liability as a negotiable commercial concept rather than a statutory obligation that persists beyond disposals, insolvencies or contractual risk transfers.

This article examines the statutory foundation of decommissioning liability in the North Sea, the critical role of DSAs and other security mechanisms, and how contractual, financial and regulatory structures must operate together to support commercial transactions while ensuring compliance with UK government requirements.

STATUTORY PRIMACY:

The Non-Transferable Nature of Decommissioning Liability

Under the **Petroleum Act 1998**, amplified by the Energy Act 2008 and administered by the North Sea Transition Authority (NSTA), decommissioning liability is **inescapably rooted in statute**.

Historic Licensee Liability

Once a company has held the status of licensee on the UKCS, it remains perpetually exposed to decommissioning obligations, regardless of subsequent actions such as divesting its interest in the asset, selling the asset outright, ceasing trading operations, withdrawing from the UKCS, or undergoing any form of corporate restructuring. This enduring exposure is encapsulated in the concept of the "**liability chain**", whereby statutory responsibility for decommissioning can be traced back through successive owners and operators, sometimes spanning several decades. As a result, former licensees may find themselves liable for substantial costs long after their direct involvement with the asset has ended, highlighting the critical importance of robust contractual protections and financial security mechanisms. The regulatory authorities, empowered by legislation such as the Petroleum Act 1998 and the Energy Act 2008, retain the discretion to pursue any party within this liability chain, often

targeting those with the strongest financial standing to ensure that decommissioning commitments are fulfilled. This approach serves to safeguard the Crown's interests and prevent the abandonment of environmental and financial responsibilities associated with offshore installations.

The Secretary of State's Powers

The Secretary of State, whose powers are frequently exercised by the NSTA, is vested with significant statutory authority to enforce decommissioning obligations under the Petroleum Act 1998. This authority manifests through several mechanisms. Firstly, Section 29 notices may be issued to both current and former licensees, formally identifying those parties whom the regulator deems responsible for submitting and carrying out an approved decommissioning programme. The scope of Section 29 is broad, capturing not only present asset holders but also historic participants whose names remain on the licence record, thereby establishing a continuing link in the statutory liability chain. In contrast, Section 34 notices specifically empower the Secretary of State (or NSTA) to call back historic licensees who may have previously divested their interests but remain statutorily liable; this ensures that parties who have exited the field can nonetheless be required to contribute to decommissioning costs should the current licensee default or become insolvent. Section 38 orders further reinforce these powers by enabling the regulator to direct remedial action when a party fails to comply with its decommissioning obligations, compelling compliance through formal legal orders. Notably, the failure to meet decommissioning commitments can result in the recovery of costs as a debt due to the Crown, granting the government a direct and enforceable financial remedy. Collectively, these statutory measures reflect the non-transferable and enduring nature of decommissioning liability in the UKCS, underscoring that contractual arrangements between commercial parties cannot override or diminish the Crown's statutory recourse against any party in the liability chain.

Statutory Override of Contractual Allocations

Although Scots Law and English law are grounded in the principle of contractual freedom, it is crucial to recognise that any contractual arrangements, such as indemnities, warranties, and liability caps, are effective only as between the contracting parties themselves. Such provisions will not, as a matter of law, restrict or override the statutory obligations imposed under the Petroleum Act 1998 and related legislation. Consequently, while commercial parties may seek to apportion risk, manage exposure, or allocate costs through carefully drafted agreements, these arrangements have little bearing on the Crown's statutory rights. The regulatory authorities retain the absolute discretion to pursue any party within the statutory liability chain, irrespective of the contractual risk allocation, and frequently target those with the greatest financial resources to ensure decommissioning obligations are met.

This statutory override has significant legal and commercial implications. From a legal perspective, it means that even parties who believe they have effectively transferred or limited their decommissioning liability through contract remain exposed to direct enforcement action by the Secretary of State or the NSTA. Such exposure persists regardless of subsequent asset disposals, insolvency events, or internal risk management strategies. Commercially, this underscores the necessity of robust due diligence, careful transaction

structuring, and the implementation of effective financial security mechanisms, such as DSAs, parent company guarantees, or letters of credit, to ensure that all parties in the liability chain remain adequately protected. Ultimately, while contracts serve an important role in managing relationships and allocating costs within joint ventures or between buyers and sellers, they cannot shield any party from the overarching statutory regime. As a result, prudent operators and investors must always account for the enduring and non-transferable nature of decommissioning liability when engaging in North Sea transactions.

COMMERCIAL STRUCTURES AND THE IMPORTANCE OF DSA's

What Is a Decommissioning Security Agreement (DSA)?

A DSA is a formal, multilateral contract entered into by joint venture (JV) participants, and in many cases, additional parties with a financial or operational interest in UK oil and gas assets. Its primary function is to quantify each party's exposure to decommissioning liabilities, allocate funding obligations in accordance with their asset interests, and establish robust financial security arrangements to ensure that the costs of decommissioning, such as abandonment and site remediation, are met in full and on time. DSAs are designed to protect non-defaulting parties from the risk of insolvency or non-performance by their co-venturers, thereby preserving the integrity of the decommissioning process and meeting regulatory expectations.

The legal and regulatory context for DSAs is underpinned by key statutory instruments, most notably under the Petroleum Act 1998 and the Energy Act 2008. The Secretary of State, typically acting through the NSTA, possesses broad statutory powers to issue Section 29 and Section 34 notices, compelling any party within the historical chain of title to submit and fund approved decommissioning programmes. DSAs must be carefully structured not only to allocate risk and cost among commercial parties, but also to satisfy the regulator that adequate financial provisions are in place to meet the Crown's requirements.

In terms of structure, a standard DSA typically includes mechanisms for the annual determination of abandonment cost exposure (ACE), often benchmarked against Oil & Gas UK guidelines and operator estimates. It sets out the requirement for each party to post financial security equivalent to its share of anticipated decommissioning costs. Accepted forms of security under industry practice include irrevocable letters of credit, parent company guarantees, decommissioning trusts, escrow accounts, and standby funding arrangements. The DSA may also detail the circumstances in which security may be called upon, procedures for addressing default or insolvency, and the rights and obligations of the parties in relation to regulatory compliance and cost recovery.

DSAs have become standard practice in transactions involving mature or late-life assets, reflecting both regulatory expectations and the requirements of lenders and investors, who routinely demand evidence of structured decommissioning security as a precondition for capital deployment. By aligning JV participants and establishing clear, enforceable arrangements for funding and liability, DSAs mitigate the risk of unexpected cash calls and ensure that decommissioning commitments are met. In doing so, they play a vital role in upholding the statutory and commercial framework governing the UK oil and gas sector,

protecting all stakeholders from the significant financial and environmental risks associated with offshore decommissioning.

A ROBUST DSA

Annual Determination of Abandonment Cost Exposure (ACE):

The DSA requires an annual assessment of each party's potential decommissioning cost exposure. This assessment is typically benchmarked against Oil & Gas UK (now OEUK) guidelines and the operator's own cost estimates, ensuring that forecasts are robust and reflect the latest industry standards and regulatory expectations.

In line with the Petroleum Act 1998, this process supports the statutory requirement for licence holders to demonstrate ongoing capability to meet decommissioning obligations, as required by the Secretary of State and the NSTA.

Security Posting Requirements:

Each participant must post financial security equivalent to their pro rata share of anticipated decommissioning costs. Accepted forms of security include irrevocable letters of credit, parent company guarantees (PCGs), direct parent guarantees, decommissioning trusts, escrow accounts, and standby funding arrangements.

These requirements reflect both the Petroleum Act 1998 and the Energy Act 2008, which empower the regulator to demand evidence of sufficient financial resources before approving decommissioning programmes.

Industry best practice dictates that security arrangements are reviewed regularly, particularly following changes in asset ownership, field maturity, or cost forecasts.

Default and Cash-Call Provisions:

The DSA sets out clear procedures for dealing with any party's default, including defined cure periods during which the defaulting party may remedy the breach. If defaults persist, step-in rights are triggered, enabling non-defaulting parties or the operator to take necessary action, including drawing on posted security or assuming the defaulting party's obligations.

Forfeiture provisions may be included to allow for the transfer of interests or the loss of voting rights in the event of persistent default.

The operator is typically granted authority to access posted security to fund decommissioning activities, ensuring continuity and compliance with statutory obligations.

These provisions are aligned with industry standard forms and best practice to ensure that decommissioning liabilities cannot fall through contractual gaps, as required by the statutory regime.

Withdrawal or Divestment Triggers:

DSAs typically include mechanisms to address the withdrawal or divestment of a party, ensuring that remaining participants are not left with increased exposure. Withdrawal triggers may require the departing party to provide additional security or forfeit previously posted security, preventing gaps in funding.

These protections are designed to comply with Section 29 and Section 34 of the Petroleum Act 1998, which allow the Secretary of State to pursue former licensees for decommissioning liabilities, regardless of asset disposals.

Security Release Mechanisms:

The DSA specifies when and how posted security may be released, typically linked to objective milestones such as field decommissioning progress, regulatory approvals, or verified reductions in cost estimates.

Release mechanisms are designed in accordance with industry best practice and regulatory guidance, ensuring that security is maintained until all statutory obligations are fully discharged.

This careful management of security release helps to reassure both the NSTA and commercial stakeholders that the risk of orphaned liabilities is minimised.

IN SUMMARY.

A well-structured DSA, aligned with the Petroleum Act 1998, the Energy Act 2008, and prevailing industry standards, ensures that decommissioning funding obligations are transparent, enforceable, and adequately secured. This both satisfies regulatory requirements and supports commercial certainty for all joint venture participants.

DSA REGULATORY OBJECTIVES AND COMMERCIAL VIABILITY

Regulatory Objective: Assurance of Decommissioning Funds

The principal regulatory imperative, as articulated under Sections 29 and 34 of the Petroleum Act 1998 and reinforced by the Energy Act 2008, is to guarantee that adequate financial resources are available to fulfil decommissioning obligations, even in circumstances where a licensee becomes insolvent. This regime is designed to shield the public purse by preventing any residual liability from falling upon taxpayers. In accordance with prevailing industry standard forms and best practice, DSAs address this objective by mandating that each joint venture (JV) participant's share of decommissioning liability is fully backed by tangible security instruments. These instruments, such as letters of credit, escrow funds, or bonds, must be posted in a manner that ensures the operator has timely and uncontested access to the funds required to undertake decommissioning works. Furthermore, the structure of the

DSA is such that the insolvency or default of any single participant does not compromise the integrity of the overall security arrangement or impede the execution of statutory decommissioning duties. This robust framework reduces the necessity for the NSTA to intervene directly or issue financial capability inquiries, thereby streamlining regulatory oversight.

Commercial Objective: Protection of Joint Venture Participants

From a commercial perspective, DSAs are designed in line with both regulatory requirements and accepted industry standards to safeguard the interests of all JV participants, irrespective of financial standing. These agreements ensure that financially stronger parties are not unduly exposed to the liabilities of weaker partners, thereby upholding the principle of fair risk allocation. DSAs establish clear and predictable funding schedules, supporting project finance arrangements by mitigating the risk of unforeseen long-term liabilities. They also facilitate the equitable distribution of post-tax Abandonment Uplift Allowance (AAU) incentives, as set out in relevant tax legislation. Additionally, by providing certainty and transparency over the security available for decommissioning, DSAs enhance the attractiveness of asset transfers and mergers and acquisitions (M&A), giving prospective buyers confidence that decommissioning liabilities are fully secured and will not crystallise unexpectedly post-transaction.

Achieving a Balance: Regulatory Compliance and Commercial Viability

A well drafted DSA, consistent with the requirements of the Petroleum Act 1998, the Energy Act 2008, and best industry practice, achieves an optimal balance between regulatory compliance and commercial practicality. This is accomplished by allowing for the phased posting of security in line with independently verified and regularly updated decommissioning cost estimates, thereby avoiding unnecessary strain on participants' liquidity. DSAs typically permit a range of acceptable security instruments, such as parent company guarantees, letters of credit, and escrow arrangements, provided they meet the statutory and regulatory standards for enforceability and accessibility. In addition, the inclusion of cap and collar mechanisms ensures that parties are not required to over fund their obligations, while still providing sufficient assurance to regulators and stakeholders that the risk of orphaned liabilities is minimised. Collectively, these measures enable DSAs to deliver regulatory certainty and commercial flexibility in equal measure, supporting both statutory objectives and the efficient operation of the upstream oil and gas sector.

Additional Financial Assurance Measures Supplementing DSAs

In addition to DSAs, a range of financial assurance instruments are utilised to satisfy the statutory requirements set out in the Petroleum Act 1998 and the Energy Act 2008. These measures collectively serve to reinforce the integrity of decommissioning funding, providing regulators and commercial parties with layered security and minimising the risk of orphaned liabilities.

Parent Company Guarantees (PCGs)

Parent Company Guarantees are widely employed as a means of underpinning the decommissioning obligations of subsidiary licensees. Under Sections 29 and 34 of the Petroleum Act 1998, regulators now require rigorous assessment of the parent entity's creditworthiness, ensuring that only financially robust guarantors are accepted. The enforceability of PCGs across international jurisdictions is scrutinised, with attention paid to cross-border insolvency risks and compliance with corporate governance obligations.

Industry standard forms typically mandate that PCGs are drafted to be unequivocally enforceable and readily accessible, thereby providing assurance that the parent will fulfil the subsidiary's decommissioning liabilities if required.

Letters of Credit

Letters of Credit are commonly utilised as liquidity-backed security instruments to support decommissioning funding obligations. In line with best industry practice, such instruments must be irrevocable and callable on demand, meeting the criteria established under the Energy Act 2008 for enforceability and accessibility. However, there are inherent risks, including the need for periodic renewal, fluctuations in bank credit availability, and the costs associated with issuance and maintenance. Standard agreements typically require regular monitoring and replacement of Letters of Credit to ensure continuous coverage, thereby preventing any lapses in security that could expose stakeholders to unforeseen liabilities.

Reserve Accounts and Decommissioning Trusts

Reserve accounts and dedicated decommissioning trusts represent robust financial structures, offering a high level of regulatory confidence. These arrangements involve the segregation of funds specifically earmarked for decommissioning activities, which accords with the transparency and ring-fencing principles enshrined in the Petroleum Act 1998 and reflected in industry best practice. While such trusts ensure the availability of funds when required, they may result in reduced corporate liquidity and can give rise to tax implications depending on the jurisdiction and trust structure. Standard forms often prescribe stringent reporting and audit requirements for these accounts, ensuring that regulators can verify the adequacy and accessibility of reserved funds at all times.

Performance Bonds

Performance bonds, although less frequently used in decommissioning compared to Engineering, Procurement, and Construction (EPC) projects, serve as valuable instruments where operators seek protection against contractor non-performance. Their use is particularly relevant when major contractors are financially constrained, or where additional assurance is required to safeguard the execution of decommissioning works. In accordance with industry standards, performance bonds must be structured to be immediately callable and sufficient in quantum to cover the relevant scope of work, thereby ensuring compliance with statutory obligations and minimising the risk of project disruption.

Together, these financial assurance tools complement DSAs, ensuring that decommissioning liabilities are fully secured through a multi-layered approach. This integrated framework not only satisfies the regulatory requirements set out in the Petroleum Act 1998 and Energy Act 2008, but also reflects industry best practice by promoting transparency, enforceability, and commercial certainty for all stakeholders involved in the UK upstream oil and gas sector.

DSA's AS DEAL ENABLERS

Every transaction involving late-life oil and gas assets is fundamentally contingent upon the buyer's ability to demonstrate satisfactory arrangements for meeting decommissioning obligations, as mandated under the Petroleum Act 1998 and reinforced by the Energy Act 2008. The regulatory framework requires that adequate security measures are in place to ensure that decommissioning liabilities will be fully met by the incoming party, thereby safeguarding the integrity of the UK's offshore regime.

For Sellers

When a robust DSA is in place, structured in line with standard industry forms and best practice, it significantly mitigates the seller's contingent liability tail by ensuring that future decommissioning costs are securely funded. This not only enhances the asset's attractiveness to potential buyers by limiting the seller's residual risk exposure but also reassures the NSTA and other regulators that asset transfers will not increase decommissioning risk or non-compliance with statutory obligations.

For Buyers

A DSA, consistent with industry standard terms, offers buyers clarity regarding the nature and timing of required security postings, such as letters of credit, reserve accounts, or parent company guarantees. This transparency underpins the structuring of acquisition financing

and ensures that all decommissioning liabilities are ring-fenced as per the transparency and segregation principles embedded in the Petroleum Act 1998. Furthermore, it reduces counterparty risk in joint ventures by establishing clear, enforceable mechanisms for the ongoing provision and monitoring of security, thus supporting commercial certainty and regulatory compliance.

For Regulators

The NSTA, in accordance with the statutory requirements of the Petroleum Act 1998 and Energy Act 2008, routinely undertakes a rigorous assessment of DSA arrangements prior to consenting to any licence assignment. The adequacy of the DSA is pivotal: where an agreement falls short of industry best practice or fails to provide sufficient security, regulatory approval for the transaction may be withheld, effectively blocking the transfer. This ensures that decommissioning liabilities remain fully secured throughout the asset's lifecycle and that the risk of unfunded decommissioning is minimised for all stakeholders.

CONTRACTUAL AND DECOMMISSIONING SECURITY AGREEMENTS (DSAS)

A robust decommissioning security regime in the UK upstream oil and gas sector relies not only on the establishment of DSAs but also on the careful integration of supporting contractual measures. These instruments, when aligned with the statutory requirements of the Petroleum Act 1998 and the Energy Act 2008, provide an enforceable and transparent framework that underpins the security of decommissioning liabilities, ensures regulatory compliance, and reflects industry best practice. By embedding decommissioning provisions within key commercial contracts, stakeholders can achieve a multi-layered approach to risk mitigation and liability management, thereby maintaining commercial certainty and safeguarding the integrity of asset transactions.

Joint Operating Agreements (JOAs)

JOAs play a critical role in governing the relationship between co-venturers during the life of an asset, including its decommissioning phase. To ensure effective alignment with DSAs and regulatory expectations, JOAs must contain decommissioning clauses that address voting thresholds for abandonment and cessation of production decisions. Such thresholds must be set in accordance with industry standards to avoid deadlock and ensure timely action. The agreement should also define the scope of operator authority during decommissioning, including the ability to execute works and manage security postings, thereby providing clarity for all parties.

Furthermore, JOAs must stipulate the consequences of any default on decommissioning funding, including the right to enforce cross-default provisions linked to the DSA. These provisions ensure that a party's default under the JOA triggers corresponding remedies under the DSA, thereby preserving the financial security required by the Petroleum Act 1998 and

minimising exposure for non-defaulting parties. By integrating these mechanisms, JOAs support the enforceability and effectiveness of DSAs and contribute to regulatory compliance and operational continuity.

Asset Sale and Purchase Agreements (SPAs)

SPAs serve as the primary instrument for transferring ownership of late-life oil and gas assets. To ensure that decommissioning liabilities remain fully secured throughout the transaction, SPAs must contain explicit references to the mechanics of the DSA, including the timing and conditions for the posting of security by the buyer. Clear specification of security posting deadlines is essential to satisfy both the seller's risk management objectives and the statutory requirements for adequate security under the Energy Act 2008.

In addition, SPAs should allocate the risk of historical underfunding of decommissioning liabilities, ensuring that any legacy shortfall is clearly addressed and funded prior to or on completion. The agreement must also address regulatory consent conditions, including the requirement for NSTA approval, which is contingent upon the adequacy of DSA arrangements. By incorporating these measures, SPAs provide assurance to all parties and regulators that decommissioning obligations will be met in full, in line with best practice and statutory obligations.

Offshore Services and EPC Contracts

Offshore services and Engineering, Procurement, and Construction (EPC) contracts are central to the execution of decommissioning works. These agreements must provide clear definitions of the scope of plugging and abandonment (P&A) activities, ensuring that responsibilities are unambiguous and aligned with DSA provisions. Effective risk allocation for latent defects and unforeseen subsurface conditions is critical, with change-order mechanisms established to address geotechnical surprises or scope variations in a timely and transparent manner.

Given the unpredictable nature of the offshore environment, contracts should also include provisions for metocean and weather-related interruptions, setting out the procedures for delay management and cost allocation. Payment structures, such as escrow arrangements or milestone-based payments, should be adopted to align contractor incentives with project delivery and maintain adequate financial assurance throughout the decommissioning process. By embedding these contractual measures, stakeholders ensure that operational risks are managed in accordance with industry best practice and that statutory obligations under the UK regulatory regime are upheld.

CONCLUSION ON DSA – CONTRACT INTERFACES

In summary, the effective integration of JOAs, SPAs, and offshore services/EPC contracts with DSAs forms a comprehensive and resilient contractual framework for decommissioning in the

UK oil and gas sector. This multi-layered approach is essential for securing decommissioning liabilities, achieving regulatory compliance under the Petroleum Act 1998 and Energy Act 2008, and upholding the standards of transparency, enforceability, and commercial certainty demanded by industry best practice.

INSOLVENCY AND DEFAULT SCENARIOS

The most rigorous test of a DSA arises when a participant either defaults on its obligations or enters insolvency proceedings. Modern DSAs, structured in accordance with the requirements of the Petroleum Act 1998 and the Energy Act 2008, are specifically designed to address such eventualities and to safeguard the interests of all stakeholders. A robust DSA should provide for immediate and unconditional access to any security posted by the defaulting party, ensuring that funds are available to continue decommissioning operations without delay or regulatory intervention under Sections 29–38 of the Petroleum Act 1998.

In line with prevailing industry standards, DSAs also typically include provisions for forced cash calls on non-defaulting parties to cover any funding shortfall, although this mechanism can be contentious. To further mitigate risk, DSAs should enable structured recovery from the insolvent party's estate, maximising the potential for reimbursement of the additional contributions made by non-defaulting co-venturers. Step-in rights are another critical feature, granting non-defaulting parties the authority to assume operational control if necessary, thereby preventing environmental harm and ensuring compliance with statutory obligations.

Given the current fragility of the supply chain in the offshore sector, these mechanisms are vital to maintaining the continuity of plugging and abandonment (P&A) activities. By embedding such protective measures, DSAs provide a comprehensive framework that upholds the standards of financial security, regulatory compliance, and operational resilience mandated by both the Energy Act 2008 and the Petroleum Act 1998, as well as best practice across the UK oil and gas industry.

Dispute Resolution in Decommissioning and DSAs

Disputes arising during decommissioning projects frequently concern a range of complex issues, including but not limited to cost overruns, inaccuracies in Abandonment Cost Estimates (ACE), the appropriate levels of security postings required under DSAs, the allocation of liabilities in default scenarios, and differing interpretations of the scope of decommissioning works. Under the Petroleum Act 1998 and the Energy Act 2008, these matters are particularly significant, as both pieces of legislation impose statutory obligations on license holders to ensure that decommissioning is carried out safely, efficiently, and with adequate financial provision in place. Failure to resolve such disputes promptly may trigger regulatory intervention under Sections 29–38 of the Petroleum Act 1998, potentially resulting in enforcement action or government-mandated decommissioning operations.

To address these risks, DSAs and associated contractual frameworks typically incorporate robust dispute resolution provisions in line with industry best practice and standard forms such as LOGIC and AIPN model agreements. Arbitration is the preferred forum for resolving

decommissioning disputes, with institutions such as the London Maritime Arbitrators Association (LMAA), London Court of International Arbitration (LCIA), International Chamber of Commerce (ICC), and bespoke ad hoc panels commonly selected. Arbitration offers several advantages: it ensures confidentiality, facilitates enforcement of awards under the New York Convention, allows for the appointment of arbitrators with relevant technical expertise (which is critical given the highly specialised nature of decommissioning), and provides procedural flexibility for multi-party disputes, which are commonplace in joint venture arrangements.

In recognition of the technical complexity involved in determining costs or resolving engineering issues, parties frequently supplement arbitration clauses with provisions for expert determination. This approach, endorsed by industry guidance and standard contractual forms, enables disputes of a technical or financial nature to be decided by an independent expert with the requisite industry experience, thereby promoting swift and commercially sensible outcomes. The integration of these dispute resolution mechanisms reflects industry best practice and supports the overarching objectives of the Petroleum Act 1998 and Energy Act 2008, notably the delivery of secure, compliant, and efficient decommissioning across the UKCS.

OVERALL CONCLUSION

Decommissioning in the North Sea presents a complex, multi-dimensional challenge that extends far beyond operational execution. It is underpinned by a statutory, financial, and contractual ecosystem, in which the integration of DSAs and associated security measures is central to both regulatory compliance and the delivery of commercial objectives. The evolving legal landscape, shaped by the Petroleum Act 1998 and the Energy Act 2008, demands that operators not only meet rigorous statutory obligations but also ensure robust financial assurance and contractual certainty throughout the decommissioning lifecycle.

Whether considering a sale and purchase and asset operation or EPC agreement or other offshore asset transactions, it will be important to set out specific warranties and undertakings in relation to the disposing parties' compliance with the decommissioning statutory, regulatory and contractual framework which precedes the transaction.

Throughout this paper, we have highlighted how the effective alignment of JOAs, SPAs, offshore services contracts, and DSAs is critical to establishing a resilient framework for managing decommissioning liabilities. DSAs, in particular, serve as the linchpin for securing financial resources, facilitating regulatory approvals, and safeguarding the interests of all parties, especially in scenarios of default or insolvency. Their design features, including immediate access to security, forced cash calls, recovery provisions, and step-in rights, are essential for maintaining operational continuity, protecting non-defaulting participants, and upholding statutory duties in the face of financial distress or market volatility.

An integrated risk management approach, encompassing sophisticated financial assurance instruments and clearly defined allocation of liabilities, is vital for satisfying regulatory

assurance requirements and supporting investment, mergers, and acquisitions. Such frameworks not only reduce the risk of disputes and regulatory intervention but also provide long-term confidence to operators, supply chain entities, and financiers.

Dispute resolution mechanisms, most notably arbitration and expert determination, complement the contractual architecture by offering efficient, confidential, and technically informed pathways for resolving cost, liability, or scope disagreements. These provisions reinforce the resilience of the risk framework, ensure compliance with statutory mandates, and support the overarching industry objective of secure, efficient, and transparent decommissioning across the UKCS.

As decommissioning activity intensifies, the sophistication of DSAs, financial security mechanisms, and risk allocation strategies will be decisive in facilitating successful asset transfers, regulatory approvals, and the enduring viability of projects. The UK oil and gas sector's continued commitment to best practice, innovation in contractual solutions, and proactive risk management will underpin its ability to navigate the challenges of decommissioning and deliver on its statutory and commercial responsibilities well into the future.

EA- 5.1.26