

## MANAGING LEGAL RISKS FOR FPSO PROJECTS

Andrew Rigden Green

### Areas of Risk

- Design and Construction
- Conversion
- Installation and Commissioning
- Operations
- Insolvency, Project Delays and Force Majeure

## Design & Construction

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### Areas of Risk



- Design Risk
- Scope of Work
- Fitness for Purpose
- Variations
- Integration of Topsides

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## Design Risk



- Design Risk

*“Contractor's Work shall include, but is not limited to, the detailed design of the Unit, procurement of materials, construction, marine transportation, installation, hook-up, commissioning and other Work required for issuance of a Final Acceptance Certificate in accordance with the Technical Requirements”*

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## Scope of Work



- Scope of Work

*In the event of a conflict between any of the following, they will take precedence in the order listed below:*

- 1. Terms and Conditions*
- 2. Exhibits*
- 3. FPSO Project Specifications*
- 4. PFD*
- 5. P&ID*
- 6. Technical Specifications*
- 7. Remaining drawings*
- 8. Codes, standards and Regulatory Requirements”*

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## Fitness for Purpose



- Fitness for Purpose

*"Contractor agrees to provide an FPSO based on an agreed Functional Specification, including maximum oil production, minimum storage capacity, minimum offloading capability, maximum dimensions, and capable of operating in maximum water depth in accordance with Company Provided Technical Requirements, met-ocean data and hydrocarbon characteristics."*

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## Variations



- Variations

*"Company has the right to make changes to the Work. Changes may include increases or decreases in the quantity, character, kind or execution of the Work, as well as a change to the Contract Schedule."*

*Company and Contractor shall attempt to agree in writing an appropriate adjustment in Contract Price and Project Schedule resulting from the Change.*

*If Company and Contractor fail to agree, then Company may issue a written request for Contractor to proceed in accordance with Company's directive without such agreement. Contractor shall comply with such written request but such compliance shall not prejudice either party's right to dispute whether or not the directive is a change, or to dispute the appropriate adjustment...."*

*Any adjustment in Contract Price shall be in accordance with the agreed Schedule of Rates in exhibit [                      ]"*

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## Integration of Topsides



### ■ Integration of Topsides

*"The FPSO Hull shall be delivered at the Builder's yard in Singapore on or before the First Delivery Date. The FPSO shall be delivered at the Conversion Yard before the Second Delivery Date.*

*Both deliveries shall be effected by the concurrent delivery, by each of the parties to the other, of Protocol of Delivery and Acceptance, in an agreed form.*

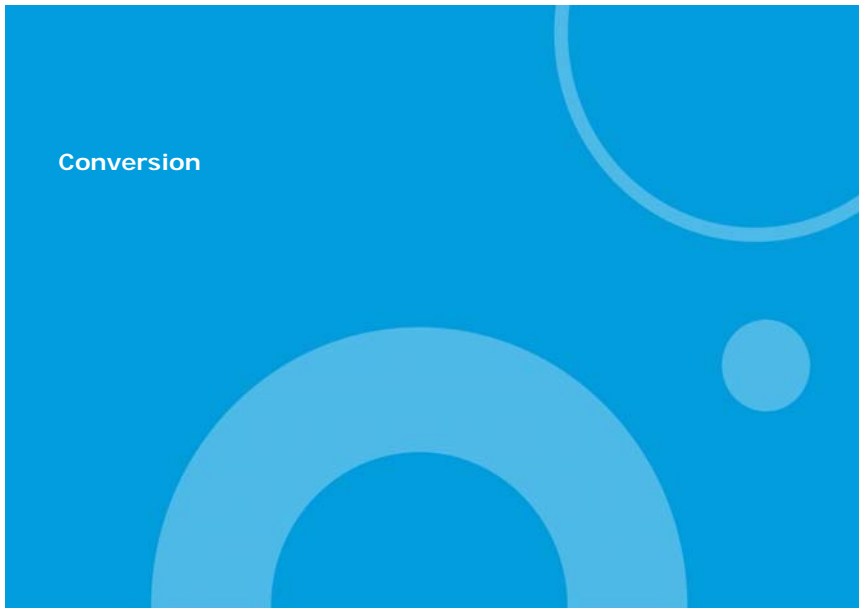
*The Builder guarantees the FPSO and the quality of all work performed. The Guarantee Period shall commence when the Protocol of Delivery and Acceptance relating to Delivery of the FPSO has been signed.*

*The Owner's written notification of acceptance [of tests and trials] shall be final and binding insofar as conformity of the FPSO to the Specification.*

*If the Certifying Authority so determines, the Builder shall correct any non-conformity to comply with the Contract and Specification."*

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## Conversion



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## Conversion



- Acquisition of suitable Vessel
  - Typical terms of an MOA:

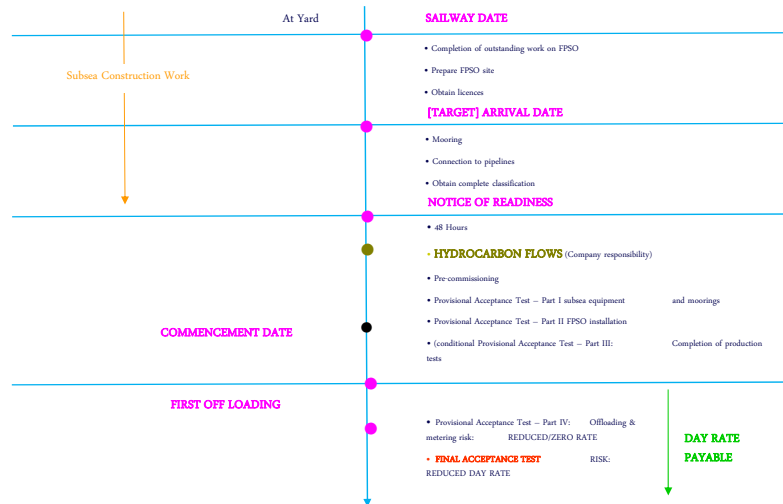
*"The Buyers have inspected and accepted the Vessel's classification records. The Buyers have also inspected the Vessel and have accepted the Vessel following this inspection, and the sale is outright and definite, subject only to the terms and conditions of this Agreement.*

*The Vessel shall be delivered and taken over as she was at the time of inspection, fair wear and tear excepted. However, the Vessel shall be delivered with her class maintained without condition/recommendation, free of average damage affecting the Vessel's class"*

## Installation and Commissioning



## Installation and Commissioning



## Operations

## Operational risks



- Possession of the FPSO
- Risk in the FPSO
- Liability for the condition of the FPSO
- Maintenance
- Actions of the Master
- Pollution

## Project Delays and Force Majeure



## Insolvency, Project Delays and Force Majeure



- Insolvency
- What is Force Majeure?
- What is Frustration?

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