

Direction – section 574

Offshore Petroleum and Greenhouse Gas Storage Act 2006

Direction number: 753

Direction

To: Timor Sea Oil & Gas Australia Pty Ltd ACN 111 708 868

Issue of Directions - Section 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*

Attached is a written notice of directions made under s 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*. Please provide written acknowledgement of receipt of this direction.

Please also note that pursuant to s 575 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*, you are required to:

- Give a copy of this notice of direction to Upstream Production Solutions Pty Ltd (ACN 166 665 952), to whom this direction applies under s 574(3)(a); and
- display the notice at a prominent position at a place in the offshore area frequented by Upstream Production Solutions Pty Ltd.

A person commits an offence if:

- (a) the person is subject to a direction under s 574; and
- (b) the person engages in conduct; and
- (c) the person's conduct breaches the direction.¹

Please provide this office with documented evidence of your compliance with the notice of directions.

If you have any questions relating to the content of the instrument, please contact [REDACTED] on [REDACTED].

Yours sincerely

Signed:



Derrick O'Keeffe

Head of Division, Safety & Integrity

Dated: 18 July 2019

NOTES: (Please see explanatory statement)

¹ Section 576 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*

Direction number NOPSEMA ID 753

I, Derrick O’Keeffe of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), make this instrument under section 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) as a delegate of the CEO of NOPSEMA, pursuant to an instrument of delegation dated 12 October 2018.



Derrick O’Keeffe
Head of Division, Safety & Integrity
National Offshore Petroleum Safety and Environmental Management Authority

Dated: 18 July 2019

DIRECTION

1. Commencement

This direction takes effect on the date of signature.

2. Application

This direction applies to Timor Sea Oil & Gas Australia Pty Ltd ACN 111 708 868 the registered holder of AC/L5.

AND

3. Extended Application

Pursuant to subsection 574(3)(a) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, this instrument also applies to Upstream Production Solutions Pty Ltd (ACN 166 665 952), the registered operator of the Northern Endeavour – NOGA facility, being a specified class of persons:

- i) employees or agents of, or persons acting on behalf of, the registered holder;
- ii) persons performing work or services, whether directly or indirectly, for the registered holder.

4. Direction

- (1) The titleholder is given the directions contained in Schedule 1.
- (2) Each direction in Schedule 1 is a separate direction.

Schedule 1 – Directions**Direction 1**

Timor Sea Oil & Gas Australia Pty Ltd (ACN 111 708 868) is directed not to allow the re-introduction of produced hydrocarbons to the Northern Endeavour – NOGA facility until it has been demonstrated to NOPSEMA's satisfaction that:

- a. Any backlog of technical integrity work orders in the computerised maintenance management system (CMMS) for the facility:
 - i. at the time of re-introduction of produced hydrocarbons has been either cleared by completing the work orders; or
 - ii. for items not completed, that they have been deferred through an individually justified risk assessment and associated mitigating actions that will reduce the risk to a level that is As Low As Reasonably Practicable (ALARP); and
- b. The management systems in use at the facility can be demonstrated to be effective in ensuring that technical integrity work orders are completed prior to the last allowable completion date; and
- c. The fixed fire suppression system is fit for its function and use and will meet its original design standards in the event of an emergency through the permanent repair of the aqueous film forming foam (AFFF) system; and
- d. Structural corrosion of the following systems at the facility has been repaired to the standards described in the facility safety case:
 - i) Central walkway; and
 - ii) Cargo piping; and
 - iii) Main pipe rack.

Explanatory Statement

Direction number: 753

Background

Since the change of ownership of the facility in 2016, NOPSEMA inspectors have undertaken several inspections at the premises of Timor Sea Oil & Gas Australia Pty Ltd ACN 111 708 868, the registered operator of the Northern Endeavour – NOGA facility, as well as conducting physical inspections of the facility.

As a result of these inspections, and information gathered by NOPSEMA inspectors, NOPSEMA is no longer satisfied that the Northern Endeavour – NOGA facility is being operated in accordance with the OPGGS Act and associated regulations. NOPSEMA is of the opinion that immediate remedial action is required to ensure the safety of personnel at the facility. Further, NOPSEMA is of the opinion that these remedial actions cannot be undertaken safely while the facility is in production. A summary of the issues precipitating these directions is described below.

Overdue maintenance

During an inspection of the Northern Endeavour – NOGA facility in March 2019 (NOPSEMA Inspection #1826) NOPSEMA inspectors obtained a Technical Integrity Backlog report identifying 118 Technical Integrity (TI) work orders that were past their last allowable completion date (LACD). NOPSEMA defines the LACD as the last date that the operator can complete an activity, to assure that the associated safety-critical equipment (SCE) meets its performance standard(s). NOPSEMA has not received sufficient evidence to date justifying the deferral of the TI work orders. Further information obtained by NOPSEMA inspectors confirmed that the operator of the facility had not followed its process for assessing the risks associated with deferral of TI work orders (Work Order Date Deferral Process) and therefore has not been able to demonstrate the ongoing integrity of safety-critical equipment at the facility.

Fire suppression system

The Northern Endeavour – NOGA facility includes an Aqueous Film Forming Foam (AFFF) system as part of the fixed fire suppression system at the facility. AFFF serves to both cool a fire and coat the surface of a fuel to prevent contact with oxygen to suppress a fire. Temporary wrap repairs at multiple locations on the ring main for the AFFF system have been in place for at least three years at the facility. NOPSEMA has continued to monitor the condition of the AFFF system and status of its repairs since before the current operator commenced operatorship in September 2016, but permanent repairs have not yet been carried out. NOPSEMA is of the view that reasonable and sufficient time has been given to make these repairs, and continuing to use temporary wraps could ultimately lead to a failure of the AFFF system to operate as required in the event of a fire at the facility, increasing the risk of serious injury to, or fatality of, personnel at the facility. Accordingly, NOPSEMA does not consider it is safe to recommence introducing hydrocarbons until permanent repairs are made.

Corrosion

NOPSEMA inspectors have identified an advanced state of structural corrosion at certain parts of the facility. NOPSEMA inspectors have continued to monitor progress of remedial actions and repairs during inspections, however, NOPSEMA's recommendations in relation to these structural corrosion issues remain open (some for an extended period) and key areas of structural corrosion remains unrepaired. NOPSEMA's view is that this failure to adequately progress engineering design, repair and rectification work at the facility could lead to a structural failure under design load conditions (e.g. wind, fire) resulting in a major accident event, leading to injury or death to personnel at the facility.

In July 2019, NOPSEMA was notified of two dangerous occurrences at the Northern Endeavour – NOGA facility; one on 30 June and the other on 4 July 2019, involving corrosion related failures (dropped objects). NOPSEMA inspectors investigated these dangerous occurrences and concluded that an immediate threat to the health and safety of personnel existed at the facility and prohibition notice (PN) 755 was issued to the operator of the facility to cease production and depressurise and eliminate topsides inventory that could lead to hydrocarbon loss of containment in the event of structural failure. NOPSEMA inspectors are of the opinion that the facility must cease production in order to prevent the threat of an MAE due to structural corrosion failure. PN 755 further instructs the operator to assess structural corrosion and rectify topsides structure where a failure could occur due to corrosion defects in order to minimise the risk of further dropped objects.

Conclusion

Given the number and nature of the safety issues identified, NOPSEMA has significant concerns regarding the cumulative effect of these issues on the risks of a major accident event occurring.

Legislation

Part 6.9 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (the Act) provides that NOPSEMA has functions in relation to the occupational health and safety of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations; the structural integrity of facilities, wells and well-related equipment; and environmental management.

Under subsection 574(2) of the Act, NOPSEMA may issue a direction about any matter in relation to which regulations may be made.

Section 666(2) of the Act gives the CEO of NOPSEMA the power to issue a direction under section 574 of the Act. The power may be delegated by the CEO under section 675 of the Act.

Under sub section 576(1) of the Act, if a person is subject to a direction under section 574 and the person engages in conduct that breaches that direction, the person commits an offence:

- **Fault-based offence** – 5 years imprisonment or 2,000 penalty units, or both (10,000 penalty units for a body corporate).
- **Strict liability offence** – 100 penalty units (500 penalty units for a body corporate).
- **Civil penalty provision** – 525 penalty units (2,625 penalty units for a body corporate).
- **Continuing offences** – a person who commits a fault-based or strict liability offence commits a separate offence in respect for each day during which the offence continues. The maximum penalty for each day that the offence continues is 10% of the maximum penalty that can be imposed in respect to that offence.
- **Continuing contraventions of civil penalty provisions** – a person who contravenes the civil penalty provision commits a separate contravention in respect for each day during which the contravention continues. The maximum civil penalty for each day that the contravention continues is 10% of the maximum civil penalty that can be imposed in respect to that contravention.

Note: the value of one penalty unit is \$210 pursuant to section 4AA(1) of the *Crimes Act 1914* (current as of 6 September 2017).