

To: Shell Australia Pty Ltd

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

Attached is a written notice of direction/s 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 refer to the information regarding s 575 in the attached *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)* explanatory statement for notification of direction requirements.

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.<sup>1</sup>

Please provide this office with documented evidence of your compliance with the notice of direction/s.

If you have any questions relating to the content of the instrument, please contact Derrick O'Keeffe, Head of Division – Safety and Integrity.

Yours sincerely

**Signed:**



Derrick O'Keeffe

**Head of Division – Safety and Integrity**

**Dated:** 23 December 2021

NOTES: (Please see explanatory statement)

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

Direction number NOPSEMA 1860

I, Derrick O’Keeffe, Head of Division – Safety and Integrity 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) pursuant to a CEO Instrument of Delegation dated 17 December 2021.



Derrick O’Keeffe

**Head of Division – Safety and Integrity**

National Offshore Petroleum Safety and Environmental Management Authority

**Dated:** 23 December 2021

**DIRECTION**

**1. Commencement**

This direction takes effect on the date of the signature.

**2. Application**

This direction applies to Shell Australia Pty Ltd, ACN 009 663 576, the registered holder of petroleum production licence WA-44-L (the titleholder).

**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 a specified class of persons, being Shell Australia Pty Ltd, ACN 009 663 576, who is also the registered operator of the Prelude FLNG facility which is conducting activities under production licence WA-44-L.

**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**

Carry out a review or reviews of the incidents and associated consequences that occurred at the Prelude FLNG facility from 2-6 December 2021, including the issues identified in the NOPSEMA investigation report dated 23 December 2021. Present to NOPSEMA the findings of these reviews once complete.

**Direction 2**

Based on the findings of the reviews from Direction 1, develop a detailed plan, schedule and commitment to timely implementation of all necessary corrective actions. Present the plan to NOPSEMA once complete.

**Direction 3**

Prior to hydrocarbon production commencing, demonstrate to NOPSEMA's satisfaction that the facility can safely recover essential power and associated essential services following a loss of power, and that the safety systems and essential support systems operate to maintain safety of personnel.

**Direction 4**

On the first business day of each month commencing March 2022 provide an update to NOPSEMA detailing progress under Directions 1 and 2 until NOPSEMA is satisfied under Direction 3.

**Explanatory Statement**

*Offshore Petroleum and Greenhouse Gas Storage Act 2006*

**Background**

- At around 22:40 on 2 December 2021, the Shell Australia Pty Ltd owned and operated Prelude FLNG facility experienced an unplanned event that resulted in a complete loss of power at the facility, which subsequently led to unreliable and intermittent power availability over 3 days. Multiple attempts during this period were made to re-establish reliable power.
- The following morning, NOPSEMA commenced an investigation. Regular contact was established with Shell onshore management for updates on the offshore emergency situation and the activities underway to respond and recover, as the loss of power had impacted the habitation and working conditions of the personnel on the facility.
- By 6 December 2021, the failure to restore reliable power was seen to represent an ongoing impact and risk to the health and safety of the personal on the facility and NOPSEMA arranged to visit the facility.
- The Inspectors were mobilised at the first available opportunity on 8 December 2021, returning on 10 December.
- The Inspectors concluded that the operator did not have a sufficient understanding of the risks of the power system on the facility, including failure mechanisms, interdependencies and recovery.
- The power failures commencing on 2 December 2021 directly impacted:
  - Emergency response capability, operation of safety critical equipment (e.g., communications, access to safety critical documentation and information, Permit to Work System) and evacuation of personnel by helicopter or boat.
  - Habitability of the facility for the personnel on board. Essential services such as lighting, safety systems, communication systems, potable water systems, sewage treatment and HVAC were affected (seven people were treated for heat related conditions).
  - Functionality of process equipment required to effectively manage the LNG inventory
- NOPSEMA is aware that a Shell investigation is planned to determine the cause(s) of the power system issues that led to this incident, however, the proposed scope of the investigation does not provide for:
  - a thorough review of the evidence and root cause analysis of the entire series of events experienced during the incident on 2 December 2021; and
  - a review of the risks for future similar incidents and actions to mitigate them.

**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).

**Notification of a direction that has an extended application**

Pursuant to section 575:

(1) If a direction under section 574 applies to:

- (a) a registered holder; and
- (b) a person referred to in paragraph 574(3)(a);

**the registered holder must** cause a copy of the notice by which the direction was given to be:

- (c) given to that other person; or
- (d) displayed at a prominent position at a place in the offshore area frequented by that other person.