

## **FOR PROSPECTIVE MEMBERS**

### **What is the purpose of OPOL?**

OPOL is a reflection of the responsible attitude of the offshore oil industry to ensure that harm is not caused by its operations, and demonstrates that the industry can properly organise its affairs so that if oil pollution should be caused from offshore facilities, valid claims will be met in accordance with the conditions and within the limits set out.

OPOL provides a mechanism for the settlement of such claims expeditiously and without disputes. It ensures that funds are available to meet claims, both through the requirement to show evidence of financial responsibility and by reason of the obligation on parties to contribute to claims due from a party that fails to meet its obligations.

### **Who may be parties to OPOL?**

OPOL is structured so that only the operator, or intending operator, under a licence may be a party. In the case of a joint venture, the operator assumes the obligations under OPOL for all other participants.

### **How is application made to become a party to OPOL?**

An operator or intending operator wishing to become a party may submit an Application to the Association on Form A.

### **How is OPOL made to apply to offshore facilities?**

A party makes OPOL applicable to the offshore facilities for which it is the operator by giving written notice to the Association of the licence under which the offshore facilities are or will be operated. This is referred to as designating the licence, and OPOL will then be applicable to all present or future facilities installed or operated under that licence. Forms C and D are provided for this purpose. Details of the licence and the participants are given on Form C. This form may be submitted at the time of application to become a party, even if operations have not yet commenced, and should in any event be submitted before operations are started. Form D is used to notify details of the facilities and should be sent with Form C if operations have already commenced, or may be sent later. It is also used to advise the Association of any change in the facilities. The facilities involved are referred to as "Designated Offshore Facilities."

### **What are the obligations assumed under OPOL by making it applicable to offshore facilities?**

As a result of designating the licence, if a spill occurs from any of the facilities installed or operated under that licence, the operator agrees to meet claims for clean up and pollution damage in accordance with the liability provisions set out in Clause IV of OPOL. The liability is strict, with certain exceptions, and has an overall limit of U.S \$120,000,000 per incident. This acceptance of strict liability cannot supplant legal liability, but it does provide a means of dealing with claims that is simpler and more satisfactory both to the claimant and to the operator.

A party to OPOL must also provide evidence of financial responsibility to meet claims, and additionally agrees to contribute, in proportion to the number of relevant facilities operated by it on the date of the incident in question, towards payment of claims due from a party that fails to meet its obligations. The party also agrees to pay its share of the administration costs of the Association.

### **What are the obligations if no offshore operations are being carried out?**

The only obligation of a party not involved in offshore operations is to pay the annual membership fee of £Stg.500. It should, however, designate the licences for which it is the operator, so that when operations commence, facilities involved are automatically brought within the scope of OPOL.

### **What other action is necessary prior to the commencement of operations?**

The licence having previously been designated on Form C, evidence of financial responsibility must be filed with the Association prior to the commencement of operations.

### **Why is evidence of financial responsibility necessary?**

This is a protection to the party and claimants so as to ensure that the party has made adequate provision to meet the obligations assumed under OPOL. It also protects the other parties to the extent that they have agreed jointly to contribute to the payment of claims due from a party that fails to meet its obligations.

### **Who provides evidence of financial responsibility?**

The operator must provide either evidence of financial responsibility in respect of the total venture or evidence of financial responsibility in respect of its interest in the venture. The latter will constitute confirmation that it has verified evidence of non-operator's financial responsibility to it in respect of all remaining interests in the venture. In the event of a default by any of the participants, the operator remains responsible for the whole venture.

### **How is evidence of financial responsibility provided?**

The operator may arrange to use any one, or a combination of, the following methods:

1. Insurance, by having an insurance company, agent or broker acceptable to the Association complete Form FR-1 or FR-2.
2. Surety Bond on Form FR-3 issued by a Surety Company acceptable to the Association.
3. Guaranty on Form FR-4 issued by a Guarantor acceptable to the Association, e.g. a leading bank.
4. Qualification as a self-insurer, by providing a financial statement meeting certain specified criteria. The consolidated financial statement of a parent company may be utilised, in which event an acknowledgement of commitment is required on Form FR-5.

### **Does separate evidence of financial responsibility need to be provided for each licence?**

If an operator establishes financial responsibility, in accordance with the Rules of OPOL, on a blanket basis to cover all its interests and activities, separate evidence need not be given once the document has been filed with the Association. Where evidence is restricted to specific licences or for specific operations, then separate evidence would be required for additional licences or operations specifying all the licences / operations covered.

**What are the limits for which financial responsibility is required, and what deductible is permitted?**

1. Financial responsibility must be shown for at least U.S \$120,000,000 per incident and U.S \$240,000,000 in the annual aggregate. If a claim occurs reducing the annual aggregate, the Association would require proof of reinstatement of the full aggregate.
2. A deductible of a maximum of U.S \$1,000,000 per incident is permitted. If a particular form of financial responsibility has a higher deductible, then supplementary financial responsibility must be established to cover the shortfall.

**For what period is evidence of financial responsibility to be provided?**

Evidence of financial responsibility must be maintained throughout the period that operations are taking place. If the financial responsibility is limited in time or is terminated or materially altered for any reason, and the operations are still continuing, the Association must be advised and further evidence forwarded demonstrating appropriate continuation of financial responsibility. This should be given at least 30 days prior to the expiry or termination of the previous financial responsibility. If the means of showing financial responsibility is by self-insurance, the financial information must be filed at least annually, or more frequently if required by the Association.

**How does the parties' contribution to claims operate, and what are the obligations of the parties?**

The Association requires evidence of financial responsibility, which should ensure that funds are available to meet claims. In the unlikely event that claims are not met because the party itself is unable to meet its obligations, which remain with it, the remaining parties would have to make good any deficit, provided that the conditions in Article 7 of the Association's Articles of Association are met.

The parties to OPOL agree to contribute proportionately towards any such deficit. For the purposes of calculating the contribution, the offshore facilities operated are classified broadly into units (those relating to the production, treatment, storage or transport of natural gas or natural gas liquids being excluded for this purpose). The share to be borne by each party is in the proportion that the number of units operated by that party bears to the total number of units of all the parties, except that of the defaulting party, at the time of the incident. Thus the amount involved is likely to be only a small proportion of the total sum involved in any claim.

**What contribution is required towards the administrative costs?**

An annual membership fee of £Stg.500 is payable by all parties. The excess of the administration costs not covered by the membership fees will be borne by those parties conducting operations, the shares being proportionate to the number of certain offshore facilities and the period of their use during the course of the year. These facilities are referred to as 'Accountable Units,' and do not include wells or facilities related to the production, treatment, storage or transport of gas or natural gas liquids.

**When may a party withdraw from OPOL?**

A party can withdraw on 1st May in any year. It can also withdraw if it has ceased to be an operator of any offshore facilities in any Designated State, or if it has never been an operator of any offshore facilities in any Designated State.

A party also has the right to withdraw if it votes against a Resolution to amend OPOL, and that Resolution is adopted.

In all cases appropriate notice must be given.