

Norwegian Continental Shelf - Sale of E&P companies – Decommissioning Liability for Share Sales.

A regime of alternative liability for a seller of an offshore oil & gas production asset for costs associated with future decommissioning was introduced on the Norwegian Continental Shelf in 2009 with certain revisions having been introduced subsequently.

In Denmark, a regime by and large modelled on the Norwegian approach was enacted in 2015, cf. § 29 a of the Danish Subsoil Act.

Recently, as a follow-up on a letter from the Norwegian Ministry of Petroleum and Energy (MPE) to the Norwegian Oil & Gas Association back in 2016, the MPE has made real its intention of introducing, as a condition for approving the sale of shares in an upstream E&P company, that the parent of the acquiring company issues a decommissioning parent company guarantee (prorated to the participating interest held by the acquired company).

As is apparent, this regime has not come about as a change of the law but rather reflects the MPE's position all along that arrangements, similar to the alternative liability applicable to asset sales, could be introduced in the context of corporate E&P transactions.

The MPE has issued a standard Decommissioning Parent Company Guarantee for such purpose which the parent of an acquiring company is required to provide as a condition for obtaining the MPE's consent to a share transaction.

If you have any questions, you are welcome to contact the writer, attorney-at-law Carsten Tolderlund on +45 4138 1905 or via e-mail at ct@wsco.dk.

The information publicized herein is for information purposes only and does not purport to constitute legal advice.

WSCO (Windahl Sandroos & Co.) is a law firm specializing in the areas of shipping and transport, energy and offshore, construction, global trade and litigation and arbitration, www.wsco.dk.