

Andreas Dracoulis, Ryan Deane in Inside Oil and Gas: The Evolution of Offshore Construction Contracts: Where are we Now and What Does the Future Hold

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As a general premise, offshore and subsea construction projects tend to concern the design, construction and installation of fixed or floating infrastructure and facilities and moveable offshore vessels and units. They have in common the regulation of complex and often substantial construction projects, concluded between international parties and where the works are physically undertaken in overseas jurisdictions. There are however important distinguishing features, which are helpful to frame discussions about the forms of contract most commonly used and possible future trends.

Common contract forms

The contracts that govern offshore and subsea construction projects have evolved over several years. Three relatively distinct areas have provided the framework for the modern landscape: traditional onshore construction contracts, shipbuilding contracts and charterparties.

The contract forms published by LOGIC and FIDIC, both widely used in the offshore sector, are more closely aligned with principles relevant in the onshore construction sector. This is particularly true in relation to FIDIC contracts – originally based on an engineering contract produced by the Institution of Civil Engineers – which contain detailed provisions in relation to payment and valuation of work, extensions of time, variations and the role of third parties in administering the contract.

The shipbuilding sector has, historically, been heavily dominated by the form produced by the SAJ, first published in 1974 for use in projects for the construction of commercial ships. Since then it has been applied to a range of increasingly complex projects such as for offshore support vessels, offshore drilling units (jack-ups, semi-subs, drillships, etc.) and specialist production units (FPSOs, FLNGs, CPFs, etc.).

Over the years, forms of charterparty have been developed for increasingly specialised activities including the charter of offshore support vessels used in connection with offshore construction works.

In this respect, BIMCO's "SUPPLYTIME" form was arguably the original offshore charterparty; it was born out of a need to create a standard set of terms to govern the use of OSVs, taking in to account the risks associated with the offshore oil and gas sector.

Future trends

The decommissioning of offshore oil and gas infrastructure in the North Sea, and in the UKCS in particular, is a huge market. Budgeted total cost is currently almost £60 billion with annual

expenditure forecast to be £2 billion until 2025. Despite this, there is no industry accepted contract in use for decommissioning. ...

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