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HOW GOVERNMENTS MANAGE THEIR OFFSHORE
PETROLEUM RESOURCES* (EDWARD ELGAR 2018)**

Reviewed by : Roopa Madhav, Doctoral Scholar (Law Department), SOAS, London

BOOK REVIEW



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John A.P. Chandler, *Petroleum Resource Management: How Governments Manage Their Offshore Petroleum Resources* (Edward Elgar 2018)

Effective natural resource management requires a robust legal framework. In carefully comparing and analysing the petroleum licensing systems of three select jurisdictions, Chandler sheds light on changes adopted to deal with exploration, development, infrastructure sharing and production of offshore petroleum resources. This book adds to the growing literature examining natural resource allocation, economics and policy from multiple perspectives - improved governance, efficiency, environmental concerns, social impacts and now, licensing arrangements. It is also timely as governments rejig their resource governance frameworks against the backdrop of changing energy needs, depleting resources, climate change concerns and falling prices.

The legal architecture in the form of regulatory policy, institutions and licensing arrangements have a powerful bearing on performance of mineral production. This book is the result of a research project initiated against the backdrop of major offshore producing basins reaching maturation in Australia (Bass Strait in Gippsland Basin), the Norwegian Continental Shelf and the UK Continental Shelf. The changing maturity of the oil fields present a set of dilemmas carefully examined by country reports, which are extensively analysed by the author. The research confirms the author's hypotheses that the problem of interdependence which emerges from the special geology of petroleum and the means of production, as being critical for states to consider in their governance regimes and conflict management.

The book can be read in three distinct parts – chapters dealing with the broader framework of regulatory structures, regulators, resource management policy; chapters dealing with licences and production sharing contracts with a specific focus on exploration, development, production and infrastructure and the final set of chapters that examine critical issues of resource rent, value and stewardship, efficient economic recovery, good oilfield practice. The book does not attempt to provide an analytical or theoretical frame to the comparative study, nor does the work locate the comparative study in the broader global context of mineral resource management. What the book offers

instead, is an in-depth study of licensing arrangements and their specificities, producing a richly detailed work with useful practical implications for those working within the field of petroleum resource management. The analysis is layered with insights from field interviews with various stakeholders in the three jurisdictions.

Although licensing agreements form the central analytical theme for the research, the chapter focussing on the license agreements quickly concludes that there is no significant difference in the licensing practices adopted by the three countries. In essence, they grant licenses that confer exclusive rights to conduct petroleum operations in license areas that are mapped on the surface and a single production licence permits exploration, development and production activities. Only Australia has a separate prior licence for exploration. The processes for the marketing and issue of licences also have broad similarities. They invite applications through a formal competitive process called a licensing round (or in Australia an average release). More significant differences can be found in the size of licence areas and the terms and conditions of licence.

While there are many similarities, significant differences also emerge in other areas such as the impact of the political structure on resource management (Australia being a federal structure); the social benefit principle incorporated in Norway's legislation which is significantly different from the focus on the Prudent Production Principle and the UK system which has a clear focus on maximising economic recovery. Perhaps the most insightful chapters in the book are the ones that deal with regulation, regulatory structures and resource rent value and stewardship. Major changes to regulatory structures effected in all three jurisdictions in recent years ensure role clarity. In all three jurisdictions, different regulators manage occupational health and safety and management of the resource. The two primary drivers for these regulatory changes are recognition that conflict of interest in regulatory functions must be avoided and that specialist government expertise is required in relation to oil and gas activities.

Peppered through-out the research are several interesting issues that remain underexplored in the analysis such as the implications for governance the

risk averse nature of International Oil Companies, thus chasing big new projects rather than extracting the last drop out of mature fields. The discussion on social licence to operate and the discussion on sustainability and climate change sit oddly within the chapter discussing companies as a critical stakeholder in the petroleum resource management. More so as these topics find discussion later in the book. These are minor quibbles and do not take away from a worthy exercise of a detailed comparative review that has wider implications for resource governance.

In the chapter on resource rent, value and stewardship, the author sheds light on how governments extract value for the disposal of a public asset and ensure that licensees conduct their operations to an appropriate standard. The idea of stewardship is an important idea in resource governance. Stewardship obligations of companies are set out in the statute, case law and the corporate governance structures, and is primarily directed at upholding the interests of shareholders and increasing the shareholder value. As the author rightly notes, stewardship of governments on the other hand still revolve around the allocation of wealth or welfare derived from the resource base and the distribution of costs of resource conservation. Thus, the states considered approach (or lack thereof) has a direct bearing on resource management and related political objectives. Equally, the role of an independent regulator to effectively balance the specific interests of companies with the larger public interest of the state. The intuitions from these chapters and the book overall, can be extended beyond petroleum resource management, offering lessons for better governance of public assets and resource management. In fact, there is great potential for extending this research to a broader analysis of state re-regulation in the wake of greater privatisation of natural resources.

Detailed in its understanding of licensing in offshore petroleum resources, this book by John A.P. Chandler is a must read not only for practitioners but also students and academics dwelling on tricky questions of appropriate legal structuring and architecture for effective natural resource governance.

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