




3500
CG-543 Policy Letter 11-06

From: 
Eric P. Christensen, CAPT
COMDT (CG-543)

JUN - 8 2011

To: Distribution

Subj: RISK-BASED TARGETING OF FOREIGN FLAGGED MOBILE OFFSHORE
DRILLING UNITS (MODUs)

- a. PURPOSE. This policy letter provides procedures for risk-based targeting of foreign flagged Mobile Offshore Drilling Units (MODU) operating on the United States Outer Continental Shelf (OCS). It also includes general guidelines on required documentation of foreign flagged MODU examinations and an attachment describing how to enter the relevant examination activities into MISLE.
2. ACTION. District and Sector Commanders will ensure compliance with the provisions of this policy letter.
3. DIRECTIVES AFFECTED. None.
4. BACKGROUND. Every foreign flagged MODU must meet the requirements of 33 CFR Subpart C, undergo a Coast Guard examination, and be issued a Certificate of Compliance (COC) in accordance with 33 CFR 143.210 prior to engaging in OCS activities. A COC is issued for a period of 2 years based on satisfactory completion of the Coast Guard examination. The OCMI must re-inspect each MODU between 9 to 15 months after the vessel's COC issuance date to determine whether the MODU remains in full compliance allowing it to continue operations on the OCS for another year.

Aside from this annual examination requirement, there is currently no process in place to identify a foreign flagged MODU that may require more Coast Guard oversight while operating on the U.S. OCS (i.e. based on inspection history or other related factors). To address this concern, the enclosed *Mobile Offshore Drilling Unit (MODU) Safety and Environmental Protection Compliance Targeting Matrix* has been developed to assist OCMI's in determining whether a foreign flagged MODU may require increased oversight through more frequent examinations by the Coast Guard. The concept for this targeting matrix is based on the existing risk-based Port State Control (PSC) Program targeting matrix used to identify high-risk foreign flagged vessels operating, or desiring to operate in U.S. waters, and which is used to subject these high-risk foreign flagged vessels to more frequent Coast Guard examinations/oversight.

5. DISCUSSION. Following the April 2010 MACONDO 252 well incident and ensuing environmental disaster, and in an effort to enhance safety on the U.S. OCS, the Coast Guard identified the need for additional oversight of foreign flagged MODUs.

The enclosed *Mobile Offshore Drilling Unit (MODU) Safety and Environmental Protection Compliance Targeting Matrix* has been developed based on the *Port State Control Safety and Environmental Protection Compliance Targeting Matrix*; which has been successful in targeting substandard vessels for over 10 years. The matrix will enable the Coast Guard to rationally and systematically determine the probable risk posed by foreign flagged MODUs operating on the U.S. OCS.

The first three columns/entities of the matrix remain the same with minor changes made to terminology specific to MODUs. These entities are: I) MODU Management (to include lease holder), II) Flag State and III) Recognized Organizations/Classification Societies. If any of these entities fail to fully undertake their responsibilities for the safe operation of an associated foreign flagged MODU, then that MODU, based on its final targeting matrix score, may be identified as requiring more stringent Coast Guard oversight. Column IV takes into account the Coast Guard's 12 month-cumulative experience with a particular MODU. Finally, Column V applies points based on a MODUs propulsion type, design particulars, and or age. Targeting points will be assigned in each of the five columns, and then totaled for the final point score. A MODUs matrix point score will determine if it warrants additional oversight through more frequent Coast Guard examinations.

6. PROCEDURES. The procedures outlined below will be used when conducting examinations on foreign flagged MODUs operating on the U.S. OCS.

- a. The foreign flagged MODU matrix targeting is a new initiative and there is currently minimal, to no substantial background information provided in MISLE. For this reason the Officer in Charge, Marine Inspection (OCMI) will initially screen all foreign flagged MODUs within their OCMI zone based on the current MISLE records available. Matrix point totals will determine if MODUs with a valid COC will require more frequent Coast Guard oversight through additional examinations.
- b. After the initial scoring of MODUs currently operating the U.S. OCS, MODUs will be scored manually by each OCMI each time an Advanced Notice of Arrival (ANOVA) is submitted on their behalf, which includes arrival on the U.S. OCS and movement between OCS blocks in accordance 33 CFR 147. The National Vessel Movement Center (NVMC) will initially collect, review, and verify specific MODU information including MODU type and size, cargo, crew list, MODU management information, and security and safety compliance documentation, etc. The NVMC then makes the ANOVA available to the National Maritime Intelligence Center (NMIC) and to the OCMI's through the Ship Arrival Notification System (SANS). The NVMC also makes the ANOVA accessible through MISLE. The NMIC analyzes MODU owner, operator, charterer, crew composition, history, etc. to determine whether there is pertinent intelligence regarding the MODU. The NMIC will then issue a daily message for Vessels of Intelligence Interest (VOII).

- c. The OCMI will prioritize and coordinate the examination of MODU's entering their AOR. The OCMI will review each MODU arrival in MISLE paying close attention to the MODU matrix score. The calculated score may be raised or lowered based on amplifying information available and at the discretion of the OCMI. The MISLE vessel arrivals screen must also be updated to record a MODU's arrival and departure from the AOR. After completing the above steps, the OCMI will create an inspection activity in MISLE for each MODU that requires an examination. A full tutorial on processing arrivals and scheduling exams for foreign vessel (same process for MODU's) arrivals can be accessed at http://mislnet.osc.uscg.mil/User_Guides/Tutorials/SchedForeignVsl_Arrvl.htm.
- d. MODU Safety and Environmental Protection Compliance Targeting Matrix Scoring
 1. Column I: Management. A targeted vessel management company includes any owner, operator, lessee, charterer, or managing operator whose vessels have been detained in the U.S. more than once within the previous 12 months under the provisions of an international Convention. CG-5432 will maintain a current listing of targeted ship management companies based on detention reports received from Coast Guard field units; this list is updated monthly. CG-5432 will remove a targeted management company once their vessels are associated with less than two detentions within a 12 month period.
 - i. If the owner, lessee, managing operator, or charterer of a MODU is included on the current Targeted Vessel Management Company List provided by CG-5432, assign 5 points. Although listed in the same column the owner, lessee, managing operator, and charterer should be scored separately.
 - ii. The OCMI may assign a maximum total of 5 points for this column.
 - iii. Proceed to Column II.
 2. Column II: Flag. A targeted Flag Administration is a country with a safety-related detention ratio exceeding the average safety detention ratio for all Flag Administration's with vessels operating in U.S. waters. CG-5432 calculates a Flag Administration's safety detention ratio by dividing the number of its vessels detained under the authority of an international convention by the number of vessels under its registry which entered U.S. waters.

CG-5432 calculates the average safety detention ratio for all Flag Administrations with vessels operating in U.S. waters by dividing the number of vessels detained under the authority of an international convention by the number of vessels that entered U.S. waters. CG-5432 calculates individual Flag Administration detention ratios based on data from the previous three years in order to reduce the effects of single year anomalies.

CG-5432 compiles a list consisting of targeted Flag Administrations on an annual basis for use with the *PSC Safety and Environmental Protection Compliance Targeting Matrix*. This list can be found on the Web, accessible at <http://homeport.uscg.mil/mycg/portal/ep/browse.do?channelId=-18371>.

The OCMI assigns either 7 points or 2 points to vessels registered with a targeted Flag Administration in Column II of the *PSC Safety and Environmental Protection Compliance Targeting Matrix*. The list provided on the Web, lists the number of points applicable to the various targeted Flag Administrations. This list is accessible at <http://homeport.uscg.mil/mycg/portal/ep/browse.do?channelId=-18371>.

A targeted Flag Administration is removed from the list when its safety detention ratio drops below the average safety detention ratio for all Flag Administration's with vessels operating in U.S. waters, or when it is associated with less than two detentions carried out under the authority of an international Convention within the past 36 months.

- i. Check the vessel's Flag Administration against the current targeted Flag Administration list. If the list shows the Flag Administration as being targeted assign 7 points or 2 points, as indicated.
 - ii. Proceed to Column III.
3. Column III: Recognized Organization. CG-5432 evaluates Recognized Organizations (ROs) based on their performance over the previous three years. If they have a 3-year safety detention ratio that exceeds the fixed 3-year safety detention ratio (0.5%), then that Organization will receive points. A RO is an organization, such as a Classification Society that issues Certificates of Class or International Convention Certificates on behalf of a Flag Administration.

The Targeted Organization List contains the names of ROs that will receive points on the *MODU Safety and Environmental Protection Compliance Targeting Matrix*. This list is accessible at <http://homeport.uscg.mil/mycg/portal/ep/browse.do?channelId=-18371>.

CG-5432 calculates RO performance based on their RO-related safety detention ratio (number of RO-related safety detentions divided by the number of distinct arrivals over a 3-year period). CG-5432 then compares this ratio to the fixed ratios of acceptable performance and assigns points to the RO according to where their safety detention ratios fall. See Table 1 below:

Table 1: Detention Ratios and Point Assignments.

Recognized Organization's 3-year Detention Ratio	Matrix Point Assignment
A detention ratio less than 0.5%	0 Points
A detention ratio equal to 0.5% or less than 1%	3 Points
A detention ratio equal to 1% or less than 2%	5 Points
A detention ratio equal to or greater than 2%	Priority I

Check the vessel's RO against the current targeted list. If the list shows the RO as being targeted assign the appropriate number of points as indicated. See <http://homeport.uscg.mil/mycg/portal/ep/browse.do?channelId=-18371>.

4. Column IV: Vessel History.

- i. If MISLE data indicates the Coast Guard has not performed a COC exam in the past 12 months or the MODU has never been to the United States, then assign PRIORITY status. If the OCMI determines, after the initial exam and issuance of the COC, that the MODU meets all applicable safety requirements then they may "downgrade" the MODU to Non-Priority, eliminating the six month examination requirement.
- ii. If MISLE data indicates that the MODU has been the subject of an exam resulting in non-issuance of a COC within the past 12 months, assign 5 points for each occurrence. CG-5432 will enter an inspection note after reviewing reports received from field units. This notice will assist in identifying MODUs not receiving their COC during the inspectors initial examination within the previous 12 months, *but may not include very recent examinations*. Field units must check the MISLE Vessel Critical Profile to determine whether any recent exams resulting in non-issuance of a COC have occurred. This can be done by reviewing the narratives for the MODUs MISLE inspection activities.
- iii. If MISLE data indicates that the MODU has been the subject of any other form of operational control within the past 12 months (i.e., COC suspension, COTP Order, Letter of Deviation, etc.), assign 1 point for each incident. Do not assign multiple points if the field unit took more than one control action for a single incident.
- iv. If MISLE data indicates that the MODU has been involved in a reportable marine casualty or pollution case, as defined in 33 CFR 140.201, within the past 12 months, assign 1 point for each case.

- v. If MISLE data indicates that the MODU has been the subject of a marine violation, except for pollution, within the past 12 months, assign 1 point for each violation case.
 - vi. If MISLE data indicates the MODU has an outstanding deficiency which was not satisfactorily corrected by the required due date, assign 1 point each.
 - vii. The total points in Column IV are unlimited.
5. Column V: MODU Particulars. For purposes of this matrix the following definitions and points apply. MODU details should be verified through Class and/or International documents and entered in vessel particulars in MISLE.
- i. Self-Propelled – MODU has propulsion machinery (including a Dynamic Positioning system) that provides for independent underway navigation. Assign 5 points.
 - ii. Semi-Submersible – a column stabilized MODU designed for offshore operations; either afloat or supported by the sea bed. Assign 3 points.
 - iii. Jack-Up (self-elevating unit) – a MODU with movable legs capable of raising its hull above the surface of the sea. The hull has sufficient buoyancy to transport the unit to the desired location. Once on location, the hull is raised to a predetermined elevation above the sea surface on its legs, which are supported by the sea bed. The legs of such units may be designed to penetrate the bed, may be fitted with enlarged sections or footings, or may be attached to a bottom mat. Assign 2 points.
 - iv. Submersible – a column stabilized MODU designed for offshore operations solely when supported by the sea bed. Assign 1 point.
 - v. Age – delivery date of the MODU shall be used for age determination. Assign the following points based on age: 0-4 years (subtract 3 points), 5-9 years (subtract 2 points), 10-14 years (add 0 points), 15-19 years (add 3 points), 20-24 years (add 5 points), and 25+ years (add 7 points).
6. Total Targeting Matrix Score/Priority Assignment.
- i. 12 or more points = Priority MODU
 - ii. 11 or fewer = Non-Priority MODU
- e. Targeting Decision and Examination Frequency

The *MODU Safety and Environmental Protection Compliance Targeting Matrix* evaluates a vessel's relative risk of non-compliance with maritime safety standards and results in the

assignment of points. Each matrix will provide a total that corresponds to the designations of Priority or Non-Priority.

Priority MODUs will be examined every six months after receiving their initial or renewal COC. They will remain on a six month schedule until they undergo two (2) successive exams with less than three (3) deficiencies.

f. Priority Downgrade Clause

If a MODU has undergone a satisfactory COC or COC annual exam within the past 6 months with no serious deficiencies, and all of the deficiencies issued during the exam have been corrected to the Coast Guard's satisfaction, the OCMI may downgrade the MODU to Non-Priority. If the exam priority of a MODU is downgraded to Non-Priority, it will be added to the unit's pool of potential random examinations.

g. Stacked MODU's

Upon receiving notification, either through ANOA or otherwise, that a MODU will be or has been in a "stacked" condition, the OCMI will contact the owner/operator to advise them on the provisions contained in NVIC 3-88, Change 1 and Marine Safety Manual, Volume II, Chapter 8. In accordance with 33 CFR 146.202, D8 (dpi) should receive notification (who then notifies the cognizant OCMI) when a MODU plans to relocate and/or return to service. Following this notification, inspectors will schedule and complete a satisfactory inspection to ensure that all crew members are capable of performing readiness drills and critical systems are operating properly. This inspection will occur prior to conducting OCS activities.

h. Random Examinations

Units will conduct additional random, unannounced examinations on 25% of their entire (priority and non-priority) fleet. For example, if a unit has 25 foreign flag MODUs operating in their zone then they should aim for conducting an additional 6 MODU examinations annually if unit resources allow.

i. Documentation of Foreign-Flagged MODU Exam Activities

1. MISLE. Immediately upon receipt of this policy and in order to increase consistency across the Coast Guard, all units conducting foreign-flagged MODU exams must use the enclosed *MISLE Data Entry Requirements for Foreign MODU Arrivals and Examinations* to accurately document MODU exams/activities within MISLE. **Of particular note-** units must enter all exam deficiencies, including those cleared on-site, into the MISLE activity. Deficiency MISLE entry must include the applicable regulatory cite the deficiency is based on and the date for required correction, or date it was corrected if corrected on the spot.
2. Reports of Inspection (Forms A and B). To increase standardization in MODU exam deficiency documentation across the Coast Guard, immediately upon receipt of this policy, all units conducting foreign-flagged MODU exams will issue U.S. Coast Guard

Report of Inspection Form A (CG-5437A) and Form B (CG-5437B) (if deficiencies found). Issuance of these forms to document foreign-flagged MODU exams is being incorporated into the upcoming revision of 33 CFR 140 – Subchapter N.

3. Issuance of COC. Once the Marine Inspector determines the foreign-flagged MODU is fit for its intended service, a Certificate of Compliance (Form CG-3585) will be issued. The MODU particulars must be indicated in the applicable section on the form.
4. Endorsement of COC. During the foreign-flagged MODUs required annual exam, once the Marine Inspector determines the unit to be fit for its intended service, the Certificate of Compliance (Form CG-3585) will be dated and endorsed with the attending Marine Inspector's signature in the appropriate block on page 1 of the form.
5. Non-issuance of COC. Units will notify CG-5432 via email (CG543@uscg.mil) when it is determined that a foreign-flagged MODU does not meet the applicable safety requirements warranting issuance of a COC (Form CG-3585). CG-5432 will enter a special note in MISLE regarding the specific deficiencies identified during the exam, and the reason for non-issuance of the COC. This special note will remain "active" and be reflected on the MODUs critical profile for a period of five years. Email to CG-543 should include, at a minimum, name of MODU, official number or IMO number, and MISLE activity number. Units should also scan Forms A & B in to MISLE and attach to the activity.
6. Revocation of COC. Units will notify CG-5432 via email (CG543@uscg.mil) when, after issuance of a COC (Form CG-3585), they determine that a foreign-flagged MODU no longer meets applicable safety requirements (i.e. during the required annual COC exam, deficiency check, etc). CG-5432 will enter a special note in MISLE regarding the specific deficiencies noted during the exam and the reason for COC revocation. This special note will remain "active" and be reflected on the MODUs critical profile for a period of five years. Email to CG-543 should include, at a minimum, name of MODU, official number or IMO number, and MISLE activity number. Units should also scan Forms A & B in to MISLE and attach to the activity.
7. Data Collection Criticality. To enable proper use of the MODU Safety and Environmental Protection Compliance Targeting Matrix, it is of paramount importance every unit responsible for conducting foreign-flagged MODUs accurately document all MODU exam information and enter this data in MISLE in accordance with this policy and the enclosed MODU MISLE Data Entry Work Instruction.
8. Access Control and Closure of Activities. A 2011 Office of the Inspector General (OIG) audit revealed that MISLE lacks sufficient internal controls to ensure accuracy and validity of data entered. To address this issue, Chiefs of the Inspection Department (CID) will review each activity for accuracy and compliance with Commandant, District and local unit administrative policies. Following appropriate review, CID's may close each activity.

j. Continuous Improvement

CG-543 reserves the right to review this process and scoring system periodically, providing adjustments and updates as necessary to ensure the program matures as necessary. Industry members and OCMI's are encouraged to provide suggestions and feedback via email to CG543@uscg.mil.

k. Disclaimer

This guidance is not a substitute for applicable legal requirements, nor is it itself a rule. It is not intended to nor does it impose legally-binding requirements on any party. It represents the Coast Guard's current guidance on this topic and is intended to assist industry and Coast Guard members in understand and applying statutory and regulatory requirements. Questions regarding this guidance may be directed to Commandant (CG-5432) at (202) 372-2267.

2 Enclosures

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

[Docket No. USCG-2011-0246]

Risk-Based Targeting of Foreign Flagged Mobile Offshore
Drilling Units (MODUs)

AGENCY: Coast Guard, DHS.

ACTION: Notice of availability.

SUMMARY: The Coast Guard announces the availability of Office of Vessel Activities (CG-543) Policy Letter 11-06, Risk-Based Targeting of Foreign Flagged Mobile Offshore Drilling Units (MODUs). This policy letter announces changes to the Coast Guard's system used to prioritize inspections of foreign-flagged MODUs.

DATES: This policy will become effective on July 1, 2011.

ADDRESSES: This notice and the policy are available in the docket and can be viewed by going to

<http://www.regulations.gov>, inserting USCG-2011-0246 in the

"Keyword" box, and then clicking "Search." This material is also available for inspection or copying at the Docket management Facility (M-30), U.S. Department of

Transportation, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue, SE, Washington, DC 20590, between 9

a.m. and 5 p.m., Monday through Friday, except Federal Holidays. This policy is also available at <http://homeport.uscg.mil> by clicking the "Library" tab > Policy > Policy letters (inspection); CG-543 Policy Letter 11-06.

FOR FURTHER INFORMATION CONTACT: If you have questions on this notice, call or e-mail LT Nikki Samuel, Foreign and Offshore Compliance Division (CG-5432), U.S. Coast Guard; telephone 202-372-2267, e-mail Rachelle.N.Samuel@uscg.mil. If you have questions on viewing or submitting material to the docket, call Renee V. Wright, Program Manager, Docket Operations, telephone 202-366-9826.

SUPPLEMENTARY INFORMATION:

Background and Purpose

In order to ensure maritime safety and compliance with all applicable regulations, every foreign-flagged mobile offshore drilling unit (MODU) must undergo a Coast Guard Certificate of Compliance (COC) examination in order to operate on the U.S. Outer Continental Shelf (OCS). This certifies that the MODU complies with 33 CFR Part 143 and permits the MODU to conduct OCS activities. Upon a satisfactory completion of the COC examination, the Coast Guard will issue the MODU a certificate valid for a period of 2 years. In addition, the Coast Guard will conduct a

mid-period examination a year later to ensure the MODU remains in full compliance.

Before the issuance of this policy letter, aside from this annual exam requirement, there was no process in place to identify a foreign-flagged MODU that may require additional Coast Guard oversight while operating on the U.S. OCS (i.e. based on inspection history or other related factors). In response to April 2010 MACONDO 252 incident, the Coast Guard has taken steps to improve oversight of foreign-flagged MODUs.

Office of Vessel Activities (CG-543) Policy Letter 11-06 addresses this issue by detailing inspection procedures using the newly developed MODU Safety and Environmental Protection Compliance Targeting Matrix. This targeting matrix will enable the Coast Guard to rationally and systematically determine the probable risk posed by foreign flagged MODUs operating on the U.S. OCS by identifying foreign-flagged MODUs that may require increased oversight.

The matrix operates by recording five variables that the Coast Guard will use to determine whether a MODU should be subject to more frequent examinations to ensure compliance with safety regulations. If a MODU exhibits characteristics indicative of poor safety or environmental compliance, points are assigned for that variable. If a

MODU accumulates a certain number of points, it is assigned "priority" status and will be subject to more frequent inspections by the Coast Guard. These variables, which are described in detail in the policy advisory, include:


- Management: points will be assigned if the MODUs management company has a history of vessels detained in the U.S. in the previous 12 months.
- Flag: points will be assigned if the MODU's Flag Administration is a country with a higher than average rate of vessel detention.
- Classification Society/Recognized Organization: points will be assigned if MODU is certified by a Classification Society/Recognized Organization that has a high safety detention ratio.
- Vessel History: points will be assigned for 1st time to U.S., no history of Coast Guard examinations, or history of operational controls, marine casualties or violations.
- MODU Particulars: points may be assigned based on certain characteristics of the MODU, such as propulsion, design (e.g. semi-submersible, jack-up), or age.

This policy letter also contains information collection procedures for Coast Guard personnel and documentation for use in examinations of foreign-flagged MODUs.

Owners and operators of foreign flagged MODUs should review Policy Letter 11-06 and ensure their vessels are in compliance with the applicable regulations. MODUs that maintain their vessels consistently within the applicable regulations should not be subject to increased inspections.

This notice is issued under the authority of 5 U.S.C. 552 (a), 43 U.S.C. § 1333(d), 43 U.S.C. § 1348(c), and 14 U.S.C. § 664.

Dated: 6/17/2011


Kevin S. Cook
Rear Admiral, U.S. Coast Guard
Director of Prevention Policy.