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# caevest

## CHALLENGING LIQUIDATED DAMAGES CLAIM



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Prepared by Eleanor Slade, Business Development Manager

[www.caevest.com](http://www.caevest.com)

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## SNAPSHOT:

A major EPCIC contractor based in Singapore, following the delayed start-up of an offshore platform facility, faced liquidated damages of up to USD \$35 million. Our experts saved our client millions of dollars in liquidated damages and reputation by uncovering powerful evidence to support their legal case.



## BACKGROUND TO THE CASE

One of the biggest challenges facing project management teams is to make sure everyone fully understands the requirements of a contract. To do this effectively, managers must disseminate the right contractual information to relevant staff, whilst withholding content that is commercially sensitive.

Lack of contractual awareness has tangible consequences, as it can result in significant liquidated damages often running into millions of dollars.

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## PROVIDING INDEPENDENT EXPERT ADVICE

A major EPCIC contractor had exactly this problem when, following the delayed start-up of an offshore platform facility, they faced liquidated damages of up to USD \$35 million. The contractor appointed Caevest to provide expert opinion and advise on project commissioning in readiness for handover and start-up.

Caevest carried out a detailed investigation – including a review of the punchlist history – and were able to determine the critical path and true realisation of start-up, gas-in and gas-out milestones.

The investigation uncovered powerful evidence demonstrating the Operator could have completed start-up much earlier than originally stated. Further investigation revealed that the end plant and infrastructure assets were not ready to receive gas from the offshore facility.

## OUTCOMES

In addition, Caevest established that the Operator had engaged in delaying tactics by postponing the granting of final subsystem acceptance certificates.

When the Operator was challenged on their milestone dates and critical path of events, Caevest's client was able to reduce the acclaimed damages by USD\$ 27 million.

The remaining liability was due to the late removal of transportation bolts, which was not considered a priority by the project management team. However, this meant a key process system could not be brought online to facilitate early start-up.

Had Caevest's expertise been brought in at the early stage of the project, the resulting USD\$ 8 million in liquidated damages could have been prevented. Other cost savings could have come about through mitigating action, which would have reduced commercial risk substantially.

Caevest provide independent expert advice on Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) projects. Working with our experienced team of consultants and engineers at the beginning of a project always pays dividends for our clients, and in most cases significantly reduces project costs as well as exposure to potential for liquidated damages.