

Contaminated Land News – July 1999

Where there's brown land there's brass - probably!

All parties involved with brownfield sites, be it through investment, ownership, development, remediation or provision of finance or professional advice, are naturally wary of the potential liabilities associated with land contamination, and consequently seek to minimise their financial risk exposure. There are a number of risk management options available based on transfer, control, reduction or avoidance of risk. Examples include conventional (non-specific) and specialist pollution insurance, captives, contractual conditions such as collateral warranties and indemnities, corporate restructuring and risk financing.

In many cases, companies are not fully aware of the effectiveness of risk management techniques or else may not adequately consider or account for the risks which are involved. This is illustrated by the fact that many organisations appear to rely on their consultants' professional indemnity insurance (PII), often without fully appreciating the limits and restrictions of the policy cover.

CIRIA's new research project 'Contaminated Land: Financial Control of Risk' aims to improve the management of the financial risk associated with contaminated sites in the UK. This research initiative is co-funded by industry and DETR through the Partners in Innovation Scheme. It is being undertaken by LGC, ABROS and the Land Quality Management group at the University of Nottingham under the guidance of a CIRIA-led industry steering group. The project will review UK practice on the current apportionment of financial risk, and assess the reliability, efficiency and cost-effectiveness of the risk management products that are available. A key output of the project will be a guidance document designed to help industry ? to understand the liabilities and risk associated with sites with known or potential land contamination; and ? to select effective financial risk management cover. The findings will also be disseminated during a series of workshops.

The project has assumed even greater importance in the light of recent developments and forthcoming legislative changes, including: ? the recent introduction of FRS12 'Provisions, Contingent Liabilities and Contingent Assets' which means that certain liabilities for remediating contaminated land should be fully recognised on companies' financial accounts; ? eventual implementation of the statutory Contaminated Land Regime, which will introduce retroactive liability for remediation of contaminated land; and ? implementation of Integrated Pollution Prevention and Control (IPPC), which is likely to bring with it financial implications associated with site remediation.

Furthermore, if industry is to meet the government's target of developing more brownfield sites, it is essential that the risks are shared equitably between landowners, clients, engineers, contractors and other stakeholders. This project is therefore a timely focus to ensure that these organisations fully understand financial risk relating to contaminated land.

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