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UNITED STATES DEPARTMENT OF THE INTERIOR
COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON INTERIOR,
ENVIRONMENT AND RELATED AGENCIES HOUSE OF
REPRESENTATIVES
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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2015 Budget request for the Bureau of Safety and Environmental Enforcement (BSEE) in the Department of the Interior.

As the Administration works to expand domestic energy production through President Obama's "All of the Above" strategy, BSEE is taking the necessary steps to provide effective oversight of oil and gas development on the U.S. Outer Continental Shelf (OCS), promoting compliance with Federal regulations, and leading the offshore oil and gas industry toward a culture of safety and environmental protection.

The OCS continues to serve as a significant source of energy for the Nation. In calendar year 2012, OCS leases provided 482 million barrels of oil and 1.58 billion cubic feet of natural gas, accounting for about 20 percent of domestic oil production and six percent of domestic natural gas production. The Department of Energy's Energy Information Administration projects offshore production will continue to grow from 2015 through 2040, as the pace of development activity quickens and new, large development projects, predominantly in the deepwater and ultra-deepwater portions of the Gulf of Mexico, are brought into production.

The 2015 BSEE budget fully supports the President's strategy by ensuring development of the Nation's vast offshore energy resources is conducted in a safe and environmentally responsible manner. Funds will be used to support and recruit expert engineers, scientists, and oil spill planning, prevention and response specialists to support the development of strong scientific information and the timely and thorough review of permits.

BSEE has worked diligently to restore the confidence of the American people in the safety of the offshore oil and gas industry and our oversight of it, and we will continue to build a robust culture of safety, with a strong focus on risk reduction. Every decision and every action must be taken with the workers and the environment in mind, and risks to both must be appropriately balanced and mitigated as companies produce the energy to meet the nation's demands. The Bureau will continue to bolster its capacity for analyzing data gained through incident reporting requirements, near-miss reporting, and real-time monitoring. Through these initiatives and others, we will continue to ensure that offshore development occurs in a safe and environmentally responsible way.

As Director, I have stressed the importance of four key principles that guide the work BSEE does for the American public: clarity, consistency, predictability, and accountability. These principles are what every citizen, as well as the regulated community, has the right to expect from their government, and they provide the standard by which performance will be measured. One example of our principles at work is our commitment to ePermitting, which is currently in the development stage. Once completed the ePermitting system will provide greater transparency and efficiency, and give greater predictability to operators.

BSEE's efforts are further supported by two strategic goals:

- Regulate, enforce, and respond to OCS development using the full range of authorities, policies, and tools to compel safety, emergency preparedness, and environmental responsibility, and appropriate development and conservation of the offshore oil and natural gas resources, and;
- Build and sustain the organizational, technical, and intellectual capacity within and across BSEE's key functions – capacity that keeps pace with OCS industry technological improvements, innovates in regulation and enforcement, and reduces risk through systemic assessment and regulatory and enforcement actions.

These strategic goals guide BSEE's decision-making and investment strategies. The 2015 request furthers these goals through a program increase of \$905,000 to support enhanced review of emerging technologies by technical experts, and expanded project funding to validate technology, test protocols and analyze economic feasibility. The 2015 request will allow BSEE to continue to strengthen its regulatory and oversight capability on the OCS by increasing the capacity in multiple disciplines to adequately staff regulatory, safety management, structural and technical support, and oil spill prevention, preparedness, and response programs. Continued outreach and dialogue with stakeholders from academia, industry, non-governmental organizations, and other governmental agencies will enhance the knowledge base of technical personnel related to innovative technologies, regulatory gaps, real-time monitoring capabilities, and risk-based decision-making for safety and environmental enforcement.

FY 2015 BUDGET HIGHLIGHTS

The 2015 President's Budget request for BSEE is \$204.6 million, a net increase of \$2.0 million over the FY 2014 Enacted level. The request is offset by \$50.4 million in eligible OCS rental receipts, \$8.2 million in cost recovery fees, and \$65 million in inspection fees, resulting in a net request of \$81.0 million in direct appropriations. The BSEE estimates staffing will total 869 full time equivalents (FTE) in 2015, including 744 direct FTE and 125 reimbursable FTE to provide shared services Department-wide, which are fully reimbursed from other accounts.

The BSEE receives funding through the Offshore Safety and Environmental Enforcement (OSEE) and Oil Spill Research (OSR) appropriations. The OSEE appropriation is

partially offset by a portion of OCS rental receipts, cost recovery fees, and inspection fees. The OSR appropriation is funded by receipts from the Oil Spill Liability Trust Fund.

The FY 2015 request also merges BSEE's Environmental Enforcement Program (EEP) into the Operations, Safety and Regulation Activity. Similar to the offshore safety inspection program, the EEP assures that industry is adopting an overall and comprehensive approach to environmental protection measures. Combining these activities will allow better identification of regulatory needs for enhanced environmental compliance and closer coordination with the newly established Safety and Environmental Management Systems (SEMS) program. The merger will also allow better management and oversight of all of the compliance programs in BSEE.

The budget for BSEE in the OSEE account funds the following activities:

- The ***Operations, Safety and Regulation*** Activity funds: environmental and safety compliance activities related to issuing permits associated with plans; inspections of environmental measures and enforcement of incidences of noncompliance; monitoring industry compliance with mitigation and other environmental requirements through office and field inspections; OCS permit application reviews; inspections of OCS facilities including critical high-risk activities; offshore operator oil spill planning and preparedness compliance; investigations; civil penalties; operator training and audit programs; annual operator performance reviews; verification of oil and gas production levels to help ensure the public receives a fair return; and the Emerging Technologies Program.
- The ***Administrative Operations*** Activity funds: general administration and ethics programs; equal employment opportunity services; emergency management; finance; human resources; procurement; and information management. The BSEE also provides administrative services, such as human resources, procurement, and finance to BOEM and other entities within the Department.
- The ***General Support Services*** Activity funds: shared activities and related support services for the Bureau. These include expenses such as: rental and security of office space; workers' compensation and unemployment compensation; voice and data communications; centrally provided services funded by the Department's Working Capital Fund; annual building maintenance contracts; mail services; and printing costs. The BSEE will continue to provide some of these services to BOEM through a reimbursable service agreement.
- The ***Executive Direction*** Activity funds: Bureau-wide leadership, direction, management, coordination, communications strategies, and outreach. It includes functions such as budget, congressional and public affairs, and policy and analysis. The Office of the Director and the Regional Director's Offices are also funded within this activity.

The budget for BSEE in the OSR account funds oil spill research, the Ohmsett facility, as well as oil spill response preparedness and planning activities.

PROGRESS THROUGH REFORMS

Since the establishment of BSEE on October 1, 2011, the Bureau has continued to focus on safety that goes beyond simple compliance with regulations, towards the adoption, by everyone, of a meaningful safety culture that permeates all offshore activities. The Bureau issued the final drilling safety regulations to solidify those regulations put in place on an interim basis after the 2010 BP Deepwater Horizon disaster and resulting oil spill. We also updated oil spill response planning guidance. Both of these reforms continue to contribute to the overall safety of the offshore oil and gas industry.

Safety and Environmental Management Systems

The updated SEMS rule reinforced an ongoing effort by the Bureau to emphasize that the offshore industry must make safety their number one priority. The SEMS regulations represent a fundamental shift that moves BSEE to a hybrid approach incorporating performance-focused tools with prescriptive requirements for managing operations on the OCS. The SEMS regulations promote a positive safety culture within industry, with the goals of continuous improvement of management systems, empowering employees, and fostering a culture of excellence. The first round of audits required by this rule was provided by industry in November 2013.

Hiring and Retention

The Bureau has also taken a number of actions to address ongoing hiring and retention challenges, including the use of various recruitment and relocation incentives in preparing offers that best provide a competitive compensation package for each new hire. The Bureau also offers a special salary rate of 25 percent above the General Schedule base rate of pay (not to include locality pay) to geologists, geophysicists, and petroleum engineers in the Gulf of Mexico to attract and retain key oil and gas oversight staff. BSEE continues to evaluate options for refining our recruitment and retention policies to find creative ways to attract and retain top talent in the face of strong competition with industry for the best recruits.

Focus Areas

BSEE will continue to build upon the foundation outlined in the strategic plan – working toward accomplishing its strategic goals and prioritizing specific projects that will position the Bureau for even greater effectiveness in accomplishing its mission.

Under my leadership BSEE will continue to focus on:

- Continuing to enhance offshore safety and environmental performance by promoting a *safety culture* within the offshore oil and gas industry.
- Bolstering the *investigations process* to provide more data to aid in trend analysis and refining the methodology for evaluating emerging technologies to aid BSEE in making adjustments that will increase the tools to make better decisions and keep pace with a dynamic, evolving industry.
- Increasing the capacity for *analyzing data* gained through incident reporting requirements, near-miss reporting, and real-time monitoring.
- Promoting and supporting innovation through the review of *emerging technologies* and the identification and use of *Best Available and Safest Technology (BAST)* within the drilling, production and spill response stakeholder communities.
- Promoting compliance through strategic enforcement by fully defining, enhancing, and utilizing the Bureau's enforcement authorities with a specific *focus on risk*.
- Investing in BSEE employees through *recruiting and training*.
- Investing in *IT modernization* and electronic reporting.

In closing, the Bureau's FY 2015 Budget request will continue to help expand domestic energy production from the Nation's offshore resources, while balancing the safety of the offshore workforce and environment. I thank the Committee for inviting me to appear today. I will be pleased to answer any questions.