

Operational Regulations in Deepwater after the Macondo Incident

Wednesday, May 6, 2015

Good Afternoon. I'd like to start off by thanking the OTC steering committee for putting together this panel. It's an honor to share the stage with such distinguished colleagues. I know that I will learn a lot today from each of them. The *Deepwater Horizon* was a game-changing event that impacted industry and regulators around the globe. I know that each of us here on the panel today experienced some impact from the tragic events of the *Deepwater Horizon*, even though that event occurred on the U.S. Outer Continental Shelf.

Like many of you in the audience, I was intricately involved in supporting the response efforts – that was in my previous career at the U.S. Coast Guard – and also like many of you, it is an experience that I hope to never repeat. One of the reasons I took this job was to help prevent a repeat of that event.

That event had a profound effect on the industry and the way it conducts business. It also led to the dismantling of the Minerals Management Service into three separate bureaus, one of which is the Bureau of Safety and Environmental Enforcement. This creation of the three separate bureaus provided for greater mission clarity and helped to remove the sometimes conflicting priorities within the MMS.

The events that day also had a deep and persistent influence on public perceptions about offshore drilling safety. As for the MMS, I am one of those who believe that the MMS inspectors got a bad rap from this experience, and I can tell you that it is still a painful memory for those who lived through it.

We are all living with the legacy of that event, and to a large extent, the industry – and us as regulators – are still on probation in the public mind, no matter how much we point to improvements in the aftermath. In the lead up to the 5-year mark since *Deepwater Horizon* I was often asked what we have done since then to make the OCS safer, and it seems to me that what people really wanted to hear was a guarantee that it will never happen again. All of us in this room know that no one can offer such a guarantee. Offshore drilling will never be risk free. But we can point out how risks of a recurrence have been lowered, how safeguards have been

strengthened, and how we are approaching safety management in a much more comprehensive way than before.

So in answering the question of whether we are safer, I tend to point to a few changes that have been made since *Deepwater Horizon*. The first is strengthened regulatory oversight. Strengthened oversight began with the establishment of BSEE and its focus on safety. The number of inspectors and engineers has been expanded in the past several years, with a large percentage of these new inspectors, upwards of 90% - coming to BSEE with industry experience. This is something I think is very positive.

Another oversight enhancement is the regulations that we have developed. We have finalized two major safety rules: the Drilling Safety Rule, and Workplace Safety Rule (also known as the SEMS rule). We recently released the proposed Well Control Rule, and are working to finalize the Production Safety Rule. While each of these new and proposed rules address major safety concerns, some of which were directly related to the events of the *Deepwater Horizon*, there is still more work to be done.

I also point to new requirements for response capability, as well as new well containment technologies that are now available to respond to a release of oil from a well. Without question, we are in a far better position today than we were five years ago, should the same type of event occur again.

Additionally, industry has made their own improvements to improve safety through the development of better standards, the creation of the Center for Offshore Safety to study and share best practices, and of course to the formation of spill response cooperatives by the companies to ensure they have ready access to subsea response equipment.

Standards and regulatory enhancements are important, and they continue to form the foundation of our approach; however, they are not enough on their own. Stakeholder engagement with experts from academia, industry, non-governmental organizations, and other governmental agencies help to improve our approach to system reliability and human decision-making.

In 2013, BSEE funded the start-up costs for the Ocean Energy Safety Institute, which provides an independent forum for dialogue, shared learning, and cooperative research among stakeholders. BSEE is also in the process of establishing the Engineering Technology Assessment Center located in Houston, Texas, which will be a Bureau-wide focal point for emerging technology evaluation.

All of this is relevant and, we hope, reassuring, but I also want to stress that a core difference today versus pre-Macondo, is a focus on safety culture...the recognition that there are competing pressures during operations, and it is the people on the platform, and in the boardroom, who must make the decision to prioritize safety. This is by no means a new concept. It did not originate with the *Deepwater Horizon* tragedy. But it has taken on a far greater sense of urgency than ever before.

Fortunately, there are sound business reasons for those who engage in offshore activity to focus on risk identification and reduction. Prevention, while it is not cost free, is almost always cheaper than experiencing a catastrophe. The ability to maintain schedule without interruption, and the avoidance of crushing liabilities, are major incentives to make safe operations a priority. So from that perspective, there is commonality of purpose between the regulated and the regulator:

The nexus between the two is risk management.

So I feel we can say that things have gotten safer, we have done a lot to address many of the causal elements of *Deepwater Horizon*, and we have a shared interest in making sure that nothing like this happens again. But, I would stop well short of declaring victory. We still have work to do: We still experience fatalities, injuries, oil spills, and losses of well control.

In the years following *Deepwater Horizon*, we have lost as many people in offshore incidents as we did on April 20, 2010. We can point to a decline in annual fatalities, but if we are losing people, we should never be satisfied. We have had fewer oil spills, which is good, but we have also experienced an average of five well control incidents per year – a few of them being quite serious and all representing the potential for far worse outcomes than were ultimately experienced.

I suppose we can point to the fact that we have had nothing like the catastrophic loss of well control and resulting oil spill that we experienced in 2010, but the question remains; can we reduce the risk further? I think we can.

Looking ahead, BSEE intends to pursue a risk-based approach to our inspection responsibilities, to better match our time and resources to the greatest risks. As I announced yesterday at a press conference, we have been working with the Bureau of Transportation Statistics to establish a near miss reporting system, modeled after a similar system used in commercial aviation, which will help us understand safety trends and allow us to better focus our prevention efforts. That program is called Safe OCS.

We will continue to refine our organization to achieve greater consistency and effectiveness in our mission performance. A lot has occurred in the past five years to make OCS activity safer. However, incidents still occur and complacency is our greatest adversary. Our commitment is to remain focused, vigilant and do everything we can to work with all interested parties to reduce risk to the lowest practical level while allowing industry to perform its purpose.