

2015 Offshore Technology Conference- International Energy Agency Breakfast
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Introduction

Good morning. I would like to start by thanking Jostein and the IEA for inviting me to participate in this discussion today, as well as to thank Paul Doucette for moderating the discussion.

I also want to express our appreciation -from BSEE - to the International Energy Agency, for shining a spotlight on the concept of social license to operate and for highlighting the importance of international dialog and cooperation.

These are important concepts as they are related and are indispensable to any serious discussion on how we approach offshore safety. In that spirit, I will offer a few thoughts on how these concepts resonate with BSEE, how they have influenced our activities in the past few years, and how they will help focus our future efforts.

License to operate – Public trust

Let me begin with the term – “social license to operate.” This is not a term in common usage in the US. One is not likely to hear it used much in normal civil discourse, however the underlying concept – public trust – is very much a factor in how the U.S. population views the industry and quite frankly, how they view regulators.

Public trust suffered greatly from the *Deepwater Horizon* tragedy. It affected not only the companies directly involved, but the entire industry as well. It also affected the regulatory structure in the US. My bureau, BSEE, is a direct outgrowth of that event, and reflects a strong public expectation that the regulator act in the public interest, even as it works with the industry.

Five years after the tragedy, I would say we are all still on probation. True, Gulf of Mexico activity has returned to pre spill levels, in some areas even exceeding pre-spill levels, at least until the recent global energy downturn. But public unease with offshore drilling is still there. Expectations are high that industry must be safe and responsible. And as industry seeks to operate in new areas, these public apprehensions will need to be convincingly addressed.

The post *Deepwater Horizon* emphasis on safety culture is a positive development in this regard. We all feel the sense of urgency to get this right, and to drive down risk, and to honestly provide the reassurance that things are under control. Ultimately, we will not be judged by our good intentions, or the thickness of our safety plans – but on outcomes. The frequency of deaths, injuries, and oil spills are the inevitable indicators of how the

public views the industry, and they influence the public's willingness to accept offshore activity.

International cooperation

So how do we go about achieving positive outcomes, and thereby build public trust? I mentioned safety culture. There has been a lot of scholarship done on this and I won't try to summarize it. I will simply assume you are all acquainted with its principles. I will also add that there are many companies that are very advanced in their approach to safety... companies which reward safety conscious behavior, and which set priorities that value decisions placing a priority on safety.

However, we have not reached a point where this high level of safety performance is the expected norm. It still stands out when you see it! So how does a regulator contribute to the adoption of a safety culture approach by industry?

Regulators can encourage and incentivize safety culture. There has certainly been a lot of ink invested in comparisons of the relative merits of alternative approaches to regulatory oversight - in particular the degree to which an approach is prescriptive or performance based, and which is likely to yield the best safety results.

We can spend an entire session debating where different regimes fall on that scale, and which contribute more effectively to the desired culture of safety. Ultimately, though, it's the outcomes that matter, and in this regard, we as regulators are well served by paying attention to the approaches used by our international colleagues and learning what we can from each other.

That is why BSEE is an enthusiastic participant in the International Regulators Forum, where best practices are shared, standards are compared, and risk information is circulated. It is why we have entered into a new international forum among arctic nations, for sharing perspectives on the unique challenges inherent in operations in that region. It is also why we place a great deal of emphasis on our involvement with Standards Development Organizations. After all, one of the common elements in all regulatory regimes, no matter where they fall on the spectrum between prescriptive and performance based, is a heavy reliance on industry standards. These help normalize expectations globally.

Closing gaps in expectations is a good thing. It does require a lot of collaboration and a willingness to adjust to new information. However, do I think we will ever have a globally homogenous regulatory approach? NO. There will be commonalities. We will approach the same objectives from different angles, and ideally end up in the same place, but building public trust sometimes requires sensitivity to public expectations of a regulator. The approach a regulator takes is inevitably shaped to some degree by societal forces. One must recognize that a full on performance based regime, no matter its merits, may look suspiciously like self-regulation to a skeptical public. I am not

suggesting that it is so, but perceptions do matter. The key point is that, regardless of approach, we are all interested in driving down risk, and that we can learn from each other's experiences.

Fitness to operate

One such area of learning for us has been in the approach taken by some of our international colleagues in determining Fitness to Operate. Norway uses this, as does Brazil. They look at a variety of factors to determine who is qualified to engage in exploration and production off their coasts.

In fairness, there is precedent for this in the United States as well. It is focused on financial fitness, and it is administered by our sister agency BOEM. But what we have learned from our international colleagues is that there may be value for us in broadening this concept to account for operational experience and performance history.

This is still in the exploratory stages. A lot of work still needs to be done should we decide to pursue this in earnest. However, it stands as an example of how sound risk management concepts can be shared internationally, and potentially adapted to local purposes, and in so doing, serve to normalize expectations and reduce risk.

Summary

So, just to summarize, social license is largely dependent upon risk reduction and demonstrated by sustained safe performance by industry.

International cooperation contributes to the narrowing of gaps in safety expectations. Industry standards are a common denominator in this regard, and bridge differences in regulatory regimes.

International coordination among regulators not only lends itself to greater learning, it may actually contribute to the desired system wide culture of safety within industry by providing a consistent focus on risk reduction and performance measurement.

I thank you for your time, and look forward to the Q&A session.