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## **BOEMRE Director Discusses Responsible Stewardship of U.S. Offshore Energy Development at the National Conference on Science, Policy and the Environment**

**WASHINGTON** – Today, Bureau of Ocean Energy Management, Regulation and Enforcement Director Michael R. Bromwich delivered the concluding keynote address at the National Council for Science and the Environment's National Conference on Science, Policy and the Environment.

Director Bromwich discussed the steps that BOEMRE is taking to renew its commitment to the responsible stewardship of our nation's resources on the Outer Continental Shelf and the re-balancing of BOEMRE's decision making processes with a renewed emphasis on acquiring and analyzing scientific information.

Director Bromwich's remarks, as prepared for delivery, are below:

Good afternoon. Thank you for inviting me to participate in this very important conference on Our Changing Oceans. This would be an important subject at any time, but it is especially important at a time when we are making critical decisions about the future of offshore energy development in the United States. I know that you have had a long and no doubt exciting day, and that earlier this morning you heard from the co-chairs of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling as well as Interior Secretary Ken Salazar. In my remarks tonight, I will discuss the steps that my agency is taking to renew its commitment to the responsible stewardship of our nation's resources on the Outer Continental Shelf (OCS) and to re-balance our decision making processes with a renewed emphasis on acquiring and analyzing scientific information.

The *Deepwater Horizon* tragedy has shaken government, and I hope industry, out of a complacency and overconfidence that had developed over the past several decades. That complacency and overconfidence created a circumstance in which the increased dangers of deepwater drilling were not matched by increased vigilance and concern for the safety of those operations.

We are in the process of making profound changes in the manner in which oil and gas drilling and development in the waters off our country's shores. These changes are long overdue and, as is so often the case when it comes to serious reform anywhere, are being spurred by a catastrophe – the unprecedented deepwater blowout of the Macondo well, the explosion and sinking of the *Deepwater Horizon* drilling rig, the tragic deaths of 11 workers, and a spill of nearly 5 million barrels of oil into waters of the Gulf of Mexico.

This week marks my seventh month as the Director of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). As you know, Secretary Salazar created the agency after the *Deepwater Horizon* accident to replace the former Minerals Management Service (MMS). The mandate I received from President Obama and Secretary Salazar was as daunting and ambitious as it was urgent – to reform offshore energy development, starting with the agency responsible for overseeing it. Since that time, we have been working aggressively to make the changes necessary to restore the public's confidence that offshore oil and gas drilling and production are being conducted safely and with appropriate protections for marine and coastal environments.

This topic is nothing if not timely. I know you heard this morning from the distinguished co-chairs of the Commission, Bill Reilly and Bob Graham. The Commission's report is a thoughtful and comprehensive analysis of not only the spill itself, but of the history and development of offshore drilling and of the regulation of offshore drilling. I want to commend the Commission and its staff for their hard work, their professionalism, and their willingness to listen to – and take into account our perspectives – on the issues they were examining. I encourage each of you to read the report if you have not yet done so. We will continue to review and analyze the report's recommendations.

As the Commission describes in its report, regulatory and industry reform in the wake of a significant offshore disaster has happened before. The United Kingdom and Norway substantially changed their oversight of offshore drilling and production following the *Piper Alpha* and *Alexander Keilland* incidents. Australia is currently facing many of the same issues we are confronting following the Montara blowout, which occurred only eight months before *Deepwater Horizon*.

The specific challenges facing us, however, are unique in many significant respects. The scale of the offshore oil and gas operations in U.S. waters, particularly in the Gulf of Mexico, is vastly greater than those in the North Sea. The economies of many of the Gulf Coast states, particularly Louisiana, are closely tied to offshore industry to an extent that is not fully appreciated around the country. The Gulf accounts for more than 25 percent of domestic oil production and approximately 12 percent of domestic gas production. One of the key problems that we are addressing – and that cannot be avoided – is this: how will government and industry make the fundamental reforms necessary to improve the safety and environmental protection in this massive industry, while at the same time allowing operations to continue?

To illustrate the problem, consider this: U.K. offshore production (which again is at a much smaller scale than that in the Gulf) dropped off substantially for two years following the *Piper Alpha* incident. The major challenge facing us and the industry is to dramatically improve the safety of drilling in the Gulf of Mexico, particularly in deepwater, while continuing with operations, keeping production flowing and keeping people working.

While the Commission has been doing its work, we at BOEMRE have been working to address many of the issues identified by the Commission. Let me be specific about what we have already done, and what we plan to do in the future. Together with Secretary Salazar, we have undertaken the most aggressive and comprehensive reform of offshore oil and gas regulation and oversight in U.S. history. This includes the reorganization of the former MMS to establish mission clarity and to strengthen oversight; and it also includes the development and implementation of heightened standards for drilling practices, safety equipment, and environmental safeguards.

These new rules set forth prescriptive standards that industry must meet. But they also establish, for the first time in the U.S. offshore regulatory system, performance-based standards focused on the identification and mitigation of specific risks associated with offshore operations. These changes are substantial, and more work is being done to ensure that these changes are both lasting and effective. The ultimate goal is to establish an industry-wide culture of safety, and to have well-equipped and professional regulators. Both elements are necessary to keep pace with the challenges and risks of offshore drilling, particularly as those operations push into new frontiers and face increased technical challenges.

## **I. Reorganization**

Earlier today, Secretary Salazar and I announced the details of our reorganization. As most of you know, the Secretary outlined the guiding idea behind the plan in May 2010, which was the creation of three strong, independent agencies with clearly defined roles and missions. The reality is, MMS – with its conflicting missions of promoting resource development, enforcing safety regulations, and maximizing revenues from offshore operations, and its chronic lack of resources – led to its inability to effectively meet the challenges of overseeing companies in the offshore industry operating in U.S. waters.

The reorganization of the former MMS is designed to remove those conflicts by clarifying and separating missions across three agencies and providing each of the new agencies with clear missions and new resources necessary to fulfill those missions. We are designing and implementing these organizational changes while we fully take into account the crucial need for information-sharing and the other links between the functions of the former MMS. This is essential to ensure that the regulatory processes related to offshore leasing, plan approval, and permitting do not succumb to bureaucratic paralysis.

On October 1 of last year, the revenue collection arm of the former MMS became the Office of Natural Resources Revenue and now is located in a different part of the Interior Department with reporting structure and chain of command completely separate from the offshore regulator. The President's Commission agrees with this change.

Over the coming months, the offshore resource management and enforcement programs will be established as separate, independent organizations. The next steps in the reorganization are more difficult, but also extremely important: they involve separating the energy development functions from the safety and environmental enforcement missions of the nation's offshore regulator. The Interior Department, as well as the President's Commission, have concluded that the separation of these missions is essential to reforming the government's oversight of energy development in our country's oceans.

I want to share some details of what those two new independent agencies, the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE), will look like and what their distinct missions will be. This re-organization is more than just moving boxes around on an organization chart – it is about making fundamental, thoughtful changes in, the way these agencies operate.

- The new Bureau of Ocean Energy Management (BOEM) will be responsible for managing development of the nation's offshore resources. This involves ensuring that the environment is protected and that the nation's offshore energy resources – including oil, gas, and renewable resources – are developed wisely, economically and in the country's best interests.
- The new Bureau of Safety and Environmental Enforcement (BSEE) will independently and rigorously enforce safety and environmental regulations.

Over the past many months, we have been engaged in a thorough and rigorous analysis to ensure that we address the structural and conflict of interest problems that existed in the former MMS and to plan for the orderly establishment of the new Bureaus. We have worked with and received advice from leading experts in government transformations and examined closely the offshore regulatory regimes of other nations, including the U.K. and Norway. We also have considered, and will continue to bear in mind, the recommendations of the President's Commission, which has done its own analysis of these issues. One of the important steps in our planning and analysis was to ensure that we can implement these changes while minimizing the disruptions to the Bureau's daily operations. We did by discussing the reorganization with employees throughout BOEMRE. We received their input; collected and analyzed data relating to the Bureau's processes, systems and regulatory metrics; and developed a number of alternative models and options for restructuring and reforming the Bureau.

This work has been painstaking and time consuming, but it has been essential to making informed decision-making regarding the transformation of the Bureau.

I want to highlight a couple of the more significant changes we are making, which promote the principles of independence, development of rigorous and thorough science, and safety and environmental protection.

- We separate resource management from safety oversight to allow permitting engineers and inspectors, which are central to overseeing safe operations, greater independence, more budgetary autonomy and clearer missions and leadership focus. Our goal is to create a tough-minded, but fair, regulator that can effectively keep pace with the risks of offshore drilling and will promote the development of safety cultures in offshore operators.
- We provide a structure that ensures that sound environmental reviews are conducted and that the potential environmental effects of proposed operations are given appropriate weight during decision-making related to resource management in BOEM. This is to ensure that leasing and plan approval activities are properly balanced. These processes must be both rigorous and efficient so that operations can go forward in a timely way with a complete understanding of their potential environmental impacts and confidence that appropriate

mitigation against those potential environmental effects are in place.

- We strengthen the role of environmental review and analysis in both organizations through various structural and organizational mechanisms. Those include:
  - The creation of a first-ever Chief Environmental Officer in BOEM. This person will be responsible for ensuring that environmental concerns are appropriately balanced in leasing and planning decisions and for helping set the scientific agenda relative to our oceans. This is a new, high-profile and extremely important position, which we hope and expect will attract top-flight talent;
  - Separating the environmental review and leasing programs in BOEM's regional offices;
  - The creation of new plan approval processes in BOEM;
  - The development, for the first time, of a brand new Environmental Compliance and enforcement function, which will reside in BSEE; and
  - We will strengthen and establish as a national-level priority the review and enforcement of Oil Spill Response Plans, which will be conducted in BSEE.

These reforms are in alignment with the President's Commission's recommendations. As we move forward with implementing these changes, we will continue to take the Commission's recommendations into account in designing the final structure of and interactions between BOEM and BSEE within the Department of the Interior.

## **II. Scientific Integrity in Decision-Making**

One of the guiding principles of our reform agenda for offshore energy development is a fundamental change in the approach to decision-making, which includes a renewed commitment to develop thorough, credible and unfiltered scientific data.

Over the past few decades, oil and gas development moved farther and farther offshore, as industry sought new productive discoveries, sought to increase domestic oil and gas supplies and provide the country with greater energy independence. While important science has always been conducted and has been involved in these developments, we have concluded from the reviews of the Presidential Commission, as well as those we have conducted internally, that our scientific community has not always had a strong enough voice. We are changing that.

This past September, Secretary Salazar issued a Secretarial Order establishing a Scientific Integrity Policy for the Department. My senior science advisor, Alan Thornhill, played a leading role in drafting that policy, and we as a bureau are wholeheartedly embracing its principles.

Scientific and scholarly information considered in our decision-making must be sound, of the highest quality, and be the product of rigorous scientific and scholarly processes. To achieve those goals, we must cultivate and reinforce a culture of scientific integrity.

This means that our employees, political and career, must never suppress or alter, without new scientific or technological evidence, scientific or technical findings or conclusions – period. Further, employees will not be coerced to alter or censor scientific findings, and they will be protected if they uncover and report scientific misconduct. This is not about finding fault with the past, because the truth is that the agency's scientific work has in been many instances been unfairly maligned, but a strong commitment and prescription for the future.

This also means we have to devote greater resources to, and elevate the role of, our scientists

within the offshore regulators. As I mentioned earlier, we are for the first time establishing the position of a Chief Environmental Officer for BOEM. This individual will be empowered, at the national level, to make decisions and final recommendations when leasing and environmental program directors cannot reach agreement. The Chief Environmental Officer also will be a major player in setting the scientific agenda for the nation's oceans. And by standing up an entirely new environmental compliance function for BSEE, we are providing for the first time regulatory oversight focused on the environment.

As many of you know, we are in the midst of a review of our application of the National Environmental Policy Act (NEPA), including in particular the use categorical exclusions. We have obtained public comments on our NEPA policy and we are in the process of reviewing and analyzing the comments we received. We are working closely with the Council on Environmental Quality (CEQ) on this evaluation. In the meantime, we have announced a policy that will require that site-specific environmental assessments be conducted, as opposed to the categorical exclusion reviews performed in the past, for deepwater drilling operations. Those environmental assessments will be conducted for all new and revised exploration and development plans in deepwater.

For those who might now be thinking that the pendulum is swinging too far to the other side, we believe this is not the case. We are mindful of the fact that industry must continue developing the energy resources that exist offshore. This development is crucial to the economy, employment, and energy independence. We are striving to ensure appropriate balance between the imperatives of energy development and awareness of the potential environmental effects of energy development – and to ensure that appropriate measures are taken to protect against those effects. Creating and maintaining a culture of scientific integrity will enable us to make those decisions with greater confidence that we will be able to pursue energy development while having a full, science-based understanding of the risks posed by that activity and what can and should be done to reduce those risks.

### **III. New Safety and Environmental Regulations**

I have discussed some of the reforms that we are pursuing to improve the effectiveness of government oversight of offshore energy development and drilling. These changes are both substantial and necessary. However, as the Commission's report makes abundantly clear, industry must change as well. My agency has a clear and important role in helping to spur that change. We are doing so through the promulgation of new prescriptive regulations to bolster safety, and to enhance the evaluation and reduction of environmental risks. We have raised the bar for safety equipment and environmental safeguards in the drilling and production stages of offshore operations – and we will continue to do so in open and transparent ways in the coming months and years. We have also introduced – for the first time – performance-based standards similar to those used by regulators in the North Sea. We have done all of this through the development and implementation of the two new rules for drilling and workplace safety, announced last fall, that raise standards for the oil and gas industry's operations on the OCS and certain Notices to Lessees that provide additional guidance to operators on complying with existing regulations.

### **IV. Future Reforms**

As you can see, we have already put in place significant pieces of our comprehensive reform agenda. But our work is far from complete. The technology associated with offshore drilling will continue to evolve, as will the complexities and risks of those operations, particularly in frontier environments, such as ultra deepwater and the Arctic. We will proceed through the normal notice and comment rulemaking process to implement further safety measures, including features of the next generation of subsea containment equipment such as blowout preventers and remotely operated vehicles (ROVs). As we have already stated, the Bureau will also promulgate additional workplace safety reforms through the rulemaking process, including requirements for independent third-party verification of operators' SEMS programs. We also will continue to evaluate the regulatory standards used by other countries to ensure that the standards applied in U.S. waters, as well as the agency that enforces those standards are world-class. These are among the issues discussed in the Commission's report, and the Commission provides useful insights about these issues.

We can no longer accept the view that the appropriate response to a rapidly evolving, developing and changing industry, which employs increasingly sophisticated technologies, is for the regulatory

framework and the applicable rules to remain frozen for extended periods of time. Over time, the regulatory framework and the specific requirements must keep pace with advances in the industry – and industry ambitions to drill in deeper water in geological formations that have greater pressures. We will continue to analyze information that becomes available, and we will implement reforms necessary to make offshore oil and gas production safer, smarter and with stronger protections for workers and the environment. In developing these reforms, we will balance the need for regulatory certainty – the importance of which we well recognize – against the need to act on new insights and adapt to changing technology. And importantly, the processing of drilling permit applications and proposed drilling plans will not be delayed while these additional reforms are developed.

As you know, we can always do better -- and that we must always remain open to improvements in our regulations to develop the necessary culture of safety. In the past, industry has in many instances reflexively opposed new regulations. That is no more responsible than regulating for the sake of regulating. We must strike a new balance that fully involves industry in the regulatory process, but that recognizes the need for us to exercise independent judgment.

Our challenge in the months and years ahead is to ensure that we do not once again become complacent, but rather that we continue to make progress in developing state-of-the-art safety, containment and response capabilities. Government, industry and the best minds in our universities must collaborate on ongoing research and development to create cutting-edge technologies in areas such as well condition sensor capabilities and remote BOP activation, among others. Government and industry must also work together to establish the necessary procedures and structures to address containment in the case of a blowout. It is critical to ensure that, in the event of a loss of well control, containment resources are immediately available, regardless of the owner or operator involved. These are goals that we must pursue aggressively.

As an important step in this effort, the Department of the Interior is establishing the Offshore Energy Safety Advisory Committee, as you heard from the Secretary this morning, which is the first step in creating the Ocean Energy Institute. This Advisory Committee and the Institute will serve as a center of excellence for offshore energy safety and facilitate collaboration among the nation's brightest minds from industry, academia, federal agencies and non-governmental organizations. The Institute will foster collaboration among all key stakeholders to increase offshore energy safety. The Institute will also provide recommendations on matters and actions relating to offshore energy safety, including drilling and workplace safety, well intervention and containment, and oil spill response, as well as collaborative research and development, training and execution in these and other areas relating to offshore energy safety.

## **VI. Partnerships with the Science Community**

As we seek partnerships with the communities that have legitimate interests in oil and gas development, we must also continue our important work in funding and conducting strong and sound scientific research. We must work with experts and researchers across many disciplines to ensure we have the best scientific information available regarding the potential effects of offshore energy development on the marine and coastal environment.

Each year, BOEMRE funds nearly 30 million dollars in environmental research for the Atlantic, Gulf of Mexico, Pacific, and Arctic regions. We have well-established partnerships with several universities and with other federal agencies – many of which are represented in the audience today – such as the National Oceanic and Atmospheric Administration, the U.S. Geological Survey, the Environmental Protection Agency, the U.S. Fish and Wildlife Service, and many others. We are working very hard to strengthen those partnerships and provide for greater consultation regarding the complex issues facing us.

If I have learned nothing else in seven months, I have learned that passions run deep with respect to offshore energy exploration. I am committed to continuing conversations – and hard work -- with industry, environmental organizations, our federal partners and other stakeholders, which are all intended to improve the safety of offshore energy operations, and to help strike the appropriate balance among the many legitimate concerns and interests that lie at the heart of offshore energy development. And I am committed to firmly establishing a culture in this agency and the two bureaus that follow, in which decisions are based upon scientific information of the highest quality and untainted by political influence.

I thank you for your time and attention. And now, I am happy to take questions with the time we have remaining.

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