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## **BOEMRE Director Discusses Strengthened Oversight of Offshore Oil and Gas Drilling and Development at the Baker Institute's Energy Forum**

**HOUSTON, TX** – Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) Director Michael R. Bromwich delivered remarks today at the James A. Baker Institutes Energy Forum at Rice University in Houston, TX.

Director Bromwich discussed lessons learned from the Deepwater Horizon blowout and spill, ongoing regulatory reform efforts, and the reorganization of the former Minerals Management Service.

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

Good afternoon. Thank you very much for inviting me to participate in today's Energy Forum.

It is a pleasure to be here with you to discuss the groundbreaking changes that are taking place for oil and gas drilling and development in the waters off our country's shores. These changes are for the most part long overdue and, as is so often the case when it comes to serious reform in any field, were driven by a major catastrophe – in this case the unprecedented deepwater blowout of the Macondo well, the sinking of the *Deepwater Horizon* drilling rig, the tragic deaths of 11 workers, and a spill of nearly 5 million barrels of oil into the waters of the Gulf of Mexico.

The *Deepwater Horizon* tragedy immediately roused both government and industry out of a complacency that had developed over the past several decades. The result of that complacency was that the increased dangers of deepwater drilling were not matched by increased vigilance and concern for the safety of those operations.

Today, I will share with you the steps that our agency is taking to renew its commitment to the responsible stewardship of our nation's resources on the Outer Continental Shelf (OCS). I'll also discuss the reforms that are necessary, both in government and in the oil and gas industry, to ensure that this activity, which is plainly vital to our economy and security, is conducted safely.

It's been almost eight months since I became the Director of the BOEMRE. BOEMRE was created by Secretary of the Interior Ken Salazar less than two months after the *Deepwater Horizon* accident to replace the former Minerals Management Service (MMS). The mandate I received from President Obama and Secretary Salazar was broad, ambitious and urgent – to reform offshore energy development, starting with the agency responsible for overseeing it.

Since that time, we have been working to make the changes necessary to restore the public's confidence that offshore oil and gas drilling and production can be – and will be – conducted safely and with appropriate protections for marine and coastal environments.

My remarks today will address the changes that have occurred and are ongoing in the oversight of offshore oil and gas operations. This topic, of course, could not be more timely. Here in Houston, there are many operators and support companies anxious to resume drilling activity as

soon as possible. During the course of the past eight months I have met with representatives of these companies – individually and in groups. Some of these companies seem to recognize that *Deepwater Horizon* was the symptom of a broader failure in both industry and government – a systemic failure to ensure that advances in drilling and workplace safety kept pace with increasingly risky operations and that the industry regulator had the tools and resources to do its job. But there are other operators who have seemed all-too-ready to shrug off *Deepwater Horizon* as a complete aberration, a perfect storm, one in a million. They point to the lack of a similar blowout in the decades before the explosion and spill and suggest that the steps taken in response have been an overreaction and were unnecessary. Needless to say, that is disappointing and short-sighted. Let me state the obvious: we reject that view.

Our view has been supported most recently by the report issued by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. If you have not read the Commission's report, I encourage you to do so. It 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.

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 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 are closely tied to offshore industry. 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 for the continuity of operations and production? To illustrate the problem, consider this: U.K. offshore production (which again is at a much smaller scale than in the Gulf) dropped off substantially for two years following the *Piper Alpha* incident.

## **I. Commission Observations**

As I mentioned a moment ago, there are some in the oil and gas industry that dismiss Macondo as an isolated event that does not represent a systemic problem. But evidence developed by the President's Commission convincingly refutes the notion that *Deepwater Horizon* was a one-in-a-million event. They identified 79 loss of well control accidents in the Gulf between 1996 and 2009. That's 79, not one in a million.

The Commission had tough criticism for both industry and federal regulators. And although we at BOEMRE have been hard at work addressing the issues they raise, I think it's important to spend a minute to focus on where we were on April 20.

The Commission specifically notes significant failures and needed changes in industry's safety and environmental practices, safety training, drilling technology, containment and clean-up technology, preparedness, corporate culture, and management behavior.

One of the Commission's central regulatory recommendations is that the oil and gas industry should establish an entity similar to the Institute of Nuclear Power Operations (or INPO), which would be an industry-sponsored entity aimed at developing, adopting, and enforcing standards of excellence to ensure continuous improvement in safety and operational integrity offshore. We believe this recommendation is worthy of serious discussion and debate; we view such a structure as potentially complementary to the critical reforms and improvements we have undertaken – rather than a substitute – and are interested to see what industry does to move forward with this suggestion.

The Commission was critical of industry but it was equally critical of federal regulators, including

the former MMS. The Commission found that federal oversight was compromised by combining separate and conflicting missions within one agency—namely, the responsibility for promoting the expansion of offshore leasing and drilling and the responsibility for ensuring safety and protecting the environment. Regulators failed to keep pace with the dramatic transformation of the offshore drilling industry and the move to deepwater drilling. Neither inspectors on the front lines nor senior MMS officials had the tools or the training to fully oversee deepwater offshore drilling. Both industry and government were unprepared to contain a deepwater well blowout. And, then there is the issue that I believe played a key role for the disaster: MMS did not receive predictable and adequate funding needed to effectively oversee offshore drilling. Over the past 20 years, the MMS budget for leasing, environmental protection, and regulatory oversight remained stagnant while deepwater drilling in the Gulf of Mexico expanded dramatically.

## **II. Reorganization**

While the Commission has been doing its work, we at BOEMRE have been working to address many of the issues they address in their report. 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 substantial 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.

Let me outline for you the main elements of our fundamental reorganization and reform of the former MMS. As we have previously announced, in the place of the former MMS – and in the place of BOEMRE, the direct and temporary descendant of MMS – we are creating three strong, independent agencies with clearly defined roles and missions. MMS – with its conflicting missions of promoting resource development, enforcing safety regulations, maximizing revenues from offshore operations and lack of resources – could not keep pace with the challenges of overseeing 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 and connections among 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, has concluded that the separation of these missions is essential to reforming the government's oversight of offshore energy development.

I want to discuss with you some details of the two new independent agencies – the Bureau of

Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE). 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 comprehensive and rigorous analysis to ensure that we address the structural issues and conflict of interest problems that existed in the former MMS and to plan for the orderly commencement 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 disruptions to the Bureau's daily operations. We did this 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 decisions 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 promptly with full understanding of their potential environmental effects 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
- The establishment as a national-level priority the review and enforcement of Oil Spill Response Plans, which will be conducted in BSEE.

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.

### III. Implementation Teams and Other Reforms of BOEMRE Policies

Let me next discuss the important, substantive work that is going on within the agency to provide the tools, training and changes to the culture to make sure that the reorganization will have the results that we are aiming for.

As part of our broad and continuing reform efforts, we have created a number of Implementation Teams that have been hard at work for several months. They are the central focus of our efforts to analyze critical aspects of BOEMRE's structures, functions and processes, and implement our reform agenda.

These teams are integral to our reorganization effort and are considering the various recommendations for improvement that we have received from several sources, including the Oil Spill Commission, the National Academy of Engineering, and the Safety Oversight Board commissioned by Secretary Salazar, and the Department of Interior Inspector General. In short, these teams are laying the foundation for lasting change to the way BOEMRE currently does business and the way its successor agencies – BOEM and BSEE – will do business in the future.

I want to take a moment to briefly describe the key areas and issues that these teams are working on:

- **Permitting.** We have a team devoted to reviewing and improving BOEMRE's drilling permit review and approval process.
- **Inspections.** We have several teams that are focused on the various discrete issues associated with developing effective, risk-based approaches to our offshore inspections programs.
- **Regulatory Enforcement.** We are evaluating the adequacy of the enforcement tools available to us – including the system for documenting and tracking incidents of non-compliance with prescriptive regulations, the adequacy and use of civil penalties, and the process for evaluating operator qualifications, and the system for debarring unsafe operators.
- **Environmental Compliance and Enforcement.** We are designing new inspections and enforcement programs relating to environmental compliance, a function that has not existed to this point in the agency.
- **Incident Investigations.** We have an Incident Investigations team that is, among other things, evaluating and developing investigative procedures relating to specific categories of accidents and incidents, including industrial accidents on rigs and platforms, fires and spills.
- **Oil Spill Response.** Finally, we are conducting a comprehensive review of spill response and the adequacy of operators' oil spill response plans (OSRPs). This team is working closely with the U.S. Coast Guard and other federal agencies on developing enhanced

spill response plans and more effective reviews of those plans in light of lessons learned from the *Deepwater Horizon* oil spill response.

As you can tell, the goals of these implementation teams are ambitious; the teams have become the main engine of our reform efforts.

In addition to the important work of the implementation teams, I want to briefly mention a number of other significant internal reforms.

We are in the midst of reviewing our application of the National Environmental Policy Act (NEPA), including in particular the use of 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 are requiring that site-specific environmental assessments, as opposed to the categorical exclusion reviews performed in the past, be conducted for all new and revised exploration and development plans in deepwater.

To address conflicts of interest, we have issued a tough new recusal policy that will reduce the potential for real or perceived conflicts of interest. Employees in our district offices must notify their supervisors about any potential conflict of interest and request to be recused from performing any official duty in which such a conflict exists. Thus, our inspectors are required to recuse themselves from performing inspections of the facilities of former employers. Also, our inspectors must report any attempt by industry or by other BOEMRE personnel to inappropriately influence, pressure or interfere with his or her official duties. Soon, we will be issuing a broader version of the policy that applies these ethical standards across the agency. I know that this will present operational challenges for some of our district offices in the Gulf region, which are located in small communities where the primary employers are offshore companies. But the need for tough rules defining the boundaries between regulators and the regulated is both necessary and compelling. These rules are necessary to assure the public that our inspections and enforcement programs are effective, aggressive and independent.

Finally, we are staffing up our new Investigations and Review Unit, a unit I created immediately on taking over the agency. This unit, which is composed of professionals with law enforcement backgrounds or technical expertise has several important missions. First, it will promptly and credibly respond to allegations or evidence of misconduct and unethical behavior by Bureau employees. Second, it will pursue allegations of misconduct against oil and gas companies involved in offshore energy projects; and third, provide the Bureau with the ability to respond swiftly to emerging issues and crises, including significant incidents such as spills and accidents.

All of these measures will help us ensure the rigorous and independent oversight of offshore drilling.

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

I have discussed many 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 report of the President's Commission makes abundantly clear, industry must change as well. Some of this work must be done by the industry alone, but my agency has a clear and important role in helping to spur that change. We are doing so through the issuance of new prescriptive regulations to bolster safety, and to enhance the evaluation and mitigation of environmental risks. We have raised the bar for equipment, safety 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, announced last fall, that raise standards for the oil and gas industry's operations on the OCS.

The first rule, the Drilling Safety Rule, is an emergency rule prompted by *Deepwater Horizon* that has put in place tough new standards for well design, casing and cementing – and well control equipment, including blowout preventers. For the first time, operators are now required to obtain independent third-party inspection and certification of each stage of the proposed drilling

process. In addition, an engineer must certify that blowout preventers meet new standards for testing and maintenance and are capable of severing the drill pipe under anticipated well pressures.

The second rule we implemented is the Workplace Safety Rule, which aims to reduce the human and organizational errors that lie at the heart of many accidents and oil spills. The development of this rule was in process well before *Deepwater Horizon*, but as described in the Commission's report, the promulgation of these performance-based standards was frustrated for a variety of reasons. Unfortunately, as was the case in other countries such as the U.K. and Norway, it took a major accident to provide the impetus necessary for these standards to be imposed.

Operators now are required to develop a comprehensive safety and environmental management program that identifies the potential hazards and risk-reduction strategies for all phases of activity, from well design and construction, to operation and maintenance, and finally to the decommissioning of platforms. Although many companies had developed such SEMS systems on a voluntary basis in the past, many had not. And our reviews had demonstrated that the percentage of offshore operators that had adopted such programs voluntarily was declining.

In addition to the new rules, we have issued what we call Notices to Lessees (or NTLs) that provide additional guidance to operators on complying with existing regulations.

In June, we issued NTL-06, which requires that operator's oil spill response plans include a well-specific blowout and worst-case discharge scenario – and that operators also provide the assumptions and calculations behind these scenarios.

In November, we issued NTL-10, a document that establishes informational requirements, including a corporate statement from the operator that it will conduct the applied-for drilling operation in compliance with all applicable agency regulations, including the new Drilling Safety Rule. The NTL also confirms that BOEMRE will be evaluating whether each operator has submitted adequate information to demonstrate that it has access to, and can deploy, subsea containment resources that would be sufficient to promptly respond to a deepwater blowout or other loss of well control. This information will help us evaluate operators' compliance with current spill response regulations.

This containment issue, which has attracted a great deal of attention in recent weeks, is the principal issue that has delayed our ability to issue deep water permits. The fact is that although industry has been working hard, it has not yet been able to fully demonstrate that it has the equipment and systems in place to respond to a blowout in deepwater. It would be irresponsible to approve new deepwater drilling before we have an answer to the simple but compelling question – what if there was a blowout? How would you control it? How would you deal with it so it doesn't produce a massive spill that pollutes the Gulf and soils its beaches? Industry – and BOEMRE – have been working aggressively and productively to answer that question, and substantial progress has been made. I have personally been involved in many of those meetings. Progress continues to be made, and I am confident that this capacity will be demonstrated soon. But moving forward without this critical piece of protection would be irresponsible in light of the *Deepwater Horizon* oil spill.

Regulatory changes have been rapid, and there have been, understandably, a number of questions from industry and others about our new regulations, about the NTLs, and about how we will apply NEPA going forward with respect to deepwater drilling operations.

We have held dozens of meetings, both in the Gulf region and in Washington, D.C., with federal and state representatives, industry groups, non-governmental organizations, and individual operators, to answer questions about the new rules and to provide clarity about the post-*Deepwater Horizon* regulatory environment. We have also issued a guidance document, which provides a comprehensive and detailed outline of the way forward for permitting in deepwater. We have discussed the contents of the guidance with a number of companies and have received input on the guidance from them and from industry.

We know that this guidance will not resolve every question that an operator may have about the deepwater permitting process, but we intended it to address the significant questions that we have heard and to provide answers to help operators move forward with the resumption of work

in deepwater.

The fact that continuing guidance is necessary is completely unsurprising. With the volume of new rules and formal guidance we have issued in recent months, the need for additional clarification was inevitable and necessary. It reflects no more than the fact that these are complex issues to work through, which is exactly what we have been doing.

We hope and trust that this guidance has substantially clarified some of the difficult and complex issues that have arisen in recent months. We are committed to working with industry to provide additional guidance on these and other issues as it becomes necessary. We are working hard to ensure that this important industry continues to be able to operate fully and successfully, and we continue to believe new deepwater drilling will be approved in the coming months. That said, one thing that the Secretary and I believe firmly is that a retreat on drilling safety is not an option.

#### **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 standard 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.

Over the past several months, especially since our new rules were announced at the end of September, we have heard from countless companies, trade associations, and Members of Congress about the significant anxiety that currently exists in the industry that we will soon change the rules of the permitting process significantly, thereby creating further uncertainty about what is required to conduct business on the OCS. The phrases we hear repeatedly are that we are "changing the rules" and "moving the goalposts" – the implication is that we have other regulatory requirements up our sleeve that we have not yet disclosed. This is not the case. Barring significant, unanticipated revelations from investigations into the root causes of the *Deepwater Horizon* explosion that remain in process, I do not anticipate further emergency rulemakings. Period.

But at the same time, 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 in time. Over time, the regulatory framework and the specific requirements must keep pace with advances in the industry – and with 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 – whose importance 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.

You know as well as I do that 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 the mindless multiplication of new requirements for their own sake. 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. This is why we have established a new Offshore Energy Safety Advisory Committee, which will include federal agencies, industry, academia, national labs, and various research organizations. The 15-member committee will work on a variety of issues related to offshore energy safety, including drilling and workplace safety, well intervention and containment and oil spill response. This will be a key component of a long-term strategy to address on an ongoing basis the technological needs and inherent risks associated with offshore drilling, and deepwater drilling in particular. I have made a large number of contacts this week alone with people in the academic world, the NGO world and industry to ensure that we have an outstanding Committee. As you know, Secretary Salazar has asked Dr. Tom Hunter, the former head of the Sandia National Lab, to chair the Committee.

## **V. Offshore Energy Safety Institute**

The Ocean Energy Institute, which will be nurtured and shaped by the Advisory Committee, will foster collaboration among all key stakeholders to increase offshore energy safety. The Institute will focus on a broad range of matters relating to offshore energy safety, including drilling and workplace safety, well intervention and containment, and oil spill response. It will also help spur collaborative research and development, training and execution in these and other areas relating to offshore energy safety.

Among the Institute's objectives will be:

- Developing a collaborative research and development strategy in the areas of drilling safety, containment and spill response;
- Recommending research to develop advanced drilling technology testing and implementation protocols;
- Understanding full-system risk and reliability analyses for the offshore environment;
- Developing an enduring research and development capability and a knowledge base useful both for preventing and responding to accidents;
- Recommending joint training and emergency response exercises; and
- Increasing opportunities for communication and coordination among industry, government, academia and the scientific community.

Most importantly, this Institute is a key component of a long-term strategy to address on an ongoing basis the technological needs and inherent risks associated with offshore drilling, and deepwater drilling in particular.

## **VI. International Standards and Cooperation**

A final – but very important – part of our long-term strategy includes continuing our collaboration with our international counterparts. The Commission's recommendations stress the importance of sharing experiences across different international systems and in establishing global standards and best practices. We agree with that. The U.S. regulator can and should play a leading role in establishing those standards and elevating the safety of offshore operations around the world.

We have already taken positive steps in this direction. BOEMRE is one of the founding members of the International Regulators Forum (IRF) and regularly works with its counterparts in that

context. This summer, we hosted a special meeting of the IRF in Herndon, Va. to share our experiences on drilling safety.

BOEMRE is also a substantial player in the Department of State's Energy Governance and Capacity Initiative, a multi-agency global effort to provide a range of technical and capacity-building assistance to the governments and institutions of select countries that are expected to become emerging oil and gas producers.

We have also increased our bilateral outreach to our foreign counterparts. In October, I delivered a keynote speech at the IRF conference in Vancouver, Canada. Prior to the conference, I met with my counterparts from Norway, the UK, Canada and Australia. Later this month, I will be meeting with foreign officials from Australia and the United Kingdom to discuss our offshore regulatory programs.

Going forward, it is my hope that we will continue to collaborate with our foreign counterparts in developing safer, more environmentally responsible drilling on the OCS.

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 the dialogue with industry, environmental organizations, and other stakeholders, improving the safety of offshore energy operations, and helping to strike the appropriate balance among the many legitimate concerns and interests that lie at the heart of offshore energy.

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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