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## Remarks as Prepared for Bureau of Ocean Energy Management, Regulation and Enforcement Director Michael R. Bromwich to the International Regulators Forum Conference

**Vancouver, B.C., Canada** – Today, BOEM Director Michael R. Bromwich delivered a keynote address at the International Regulators Forum (IRF) Conference in Vancouver, British Columbia, Canada.

During his visit, Director Bromwich met individually with his counterparts from the offshore regulating agencies from Australia, Canada, Norway and the United Kingdom to discuss issues of mutual interest.

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

Good morning. Thank you for inviting me to speak with you today.

I am the Director of the Bureau of Ocean Energy Management, Regulation and Enforcement – the agency responsible for regulating oil and gas exploration and development on the Outer Continental Shelf of the United States.

Let me begin by thanking our Conference host, Canada's Nova Scotia Offshore Petroleum Board, and in particular Mr. Stuart Pinks, its Chief Executive Officer.

You have developed a compelling agenda that promises important dialogue on the many complex and challenging issues facing safety regulators around the world.

In 1993, our Bureau helped establish the International Regulators Forum – a group of oil and gas regulators from eight countries with responsibilities for offshore facility safety. As regulators, our role is to ensure that offshore petroleum activities will be conducted safely. And that operators, who are responsible for managing the risks of such activities, are held accountable for their safety performance.

This is the third conference on international offshore safety. As recent events have made clear, this topic deserves our constant, focused attention.

In the past two years, the world has seen not one, but two major blowouts: the Montara well blowout off the coast of Western Australia and, only eight months later, the Macondo well blowout in the Gulf of Mexico.

Lars Herbst, BOEM's regional director for the Gulf of Mexico region, will discuss the Deepwater Horizon in more detail later today. That explosion – almost 6 months ago - took the lives of 11 people and will have lasting consequences on the entire Gulf region. It exposed some fundamental shortcomings in drilling safety practices and the inability of the oil and gas industry to contain a deepwater blowout in a timely and reliable manner.

For 30 years, oil companies have ventured into deeper and deeper waters in the Gulf of Mexico and developed more sophisticated drilling technologies, while safety practices and equipment have lagged behind.

This is unacceptable – to us as regulators and to the public we serve. We at BOEM are working very hard to change the status quo by issuing new safety regulations and requirements for testing, and for independent certification of safety equipment.

Spills like the Montara and Macando wells also raise fundamental questions about the appropriate regulatory framework we need to reduce the risk of such events in the future. As you would expect, we are devoting a significant amount of time to this issue in the United States.

And – and here is a point that bears emphasis in the context of this conference– this is an area where I believe we can learn a great deal from one another. In fact, in making decisions about the future regulatory framework in the United States, we have been studying the approaches of our sister organizations in other nations.

In this room are gathered regulatory officials from many nations with ongoing or proposed offshore oil and gas activity. Many of us face the same problems and have devised various solutions to address them. I think we can all benefit by sharing our experiences and perspectives, and am hopeful that our dialogue will continue beyond this forum, although I have certainly already gained substantial benefit from meeting separately with many of you.

On the subject of sharing experiences, let me take a few moments to tell you about the reforms we are implementing in the United States in the aftermath of the Deepwater Horizon.

My team and I have been working very hard over the past few months to restore public confidence in the U.S. Outer Continental Shelf drilling regulatory regime, confidence that was severely damaged by the Deepwater Horizon experience. Together with Secretary of the Interior Ken Salazar, we are undertaking the most aggressive and comprehensive reforms to offshore oil and gas regulation and oversight in U.S. history. This includes the reorganization of the former Minerals Management Service and the implementation of tougher standards for drilling, equipment, safety practices, and environmental protection.

## **ORGANIZATIONAL REFORMS**

First, we are aggressively remaking the former MMS. We are creating three strong, independent entities to carry out the missions of promoting energy development, regulating offshore drilling, and collecting revenues. In the past, these three conflicting functions resided within the same Bureau, creating the potential for internal conflict and a strong risk of a pro-development bias. This will be the case no longer.

The revenue collection arm of the former MMS already transitioned at the beginning of this month into the Office of Natural Resources Revenue. In the next year, the offshore leasing and regulation programs will also become separate, independent organizations.

We have also issued a new recusal policy that will reduce the potential for real or perceived conflicts of interest. Employees must notify their supervisor 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 will be required to recuse themselves from performing inspections of former employers. Also, every BOEM employee must report any attempt to influence, pressure or interfere with his or her official duties. All of these measures will help us ensure the rigorous, unbiased oversight of offshore drilling.

In addition, in one of my first acts as Director, I created a new Investigations and Review Unit within BOEM that will help us root out problems within the agency and rein in companies that attempt to game the system.

## **ENVIRONMENTAL AND SAFETY REFORMS**

But our reforms don't end there. In addition to these institutional reforms, we have raised the bar for offshore drilling safety and will continue to do so in the coming months as additional information about the causes of the Deepwater Horizon explosion and resulting oil spill become available.

First, we are taking steps to strengthen BOEM's inspections program. Over the coming year, BOEM anticipates adding scores of inspectors and engineers to its staff. My hope is that we can add as many as 200 new inspectors, engineers, environmental scientists, and other key staff to support our agency in carrying out its important oversight functions. We are also strengthening standards for equipment, safety, environmental safeguards, and we are going to dramatically strengthen oversight.

BOEM, in collaboration with other federal agencies, is conducting comprehensive new environmental analyses of the Gulf of Mexico and the Arctic. These analyses will help inform future leasing and development decisions.

We have also imposed more stringent requirements that companies must meet in applying for permits to drill. Operators must now meet new standards for well design, casing and cementing. Their plans must be certified by a professional engineer. Operators must also provide additional information regarding their ability to respond to a blowout and to a worst-case oil spill scenario when they request new drilling permits. And responsibility will flow directly from the individuals responsible for making decisions on behalf of these companies. From now on, energy company CEOs must certify that their operations comply with all safety regulations.

Last month, we announced two new rules that raise the bar for the oil and gas industry's safety and environmental practices on the Outer Continental Shelf: one that strengthens requirements for equipment; and another that improves workplace safety by reducing the risk of human error on drilling rigs and platforms. Lars will discuss these rules in more detail, but I want to just briefly touch on their major provisions.

The first rule, the Drilling Safety Rule, that immediately puts in place tough new standards for well design, casing and cementing and well control equipment, such as Blowout Preventers. Operators are now required to obtain independent third-party inspection and certification of each stage of the proposed drilling process. An engineer must also certify that blowout preventers meet new standards for testing and maintenance and are capable of severing the drill pipe under the pressures anticipated for the well.

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. Operators off the coast of the United States now must 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.

These new policies substantially raise the standards for all offshore operators.

## **THE SUSPENSION OF DEEPWATER DRILLING**

Based in part on these improvements in existing drilling safety measures, Secretary Salazar announced this past Tuesday his decision to

lift the drilling suspension as to all deepwater drilling activity.

I want to make just a couple of remarks about the suspension and the Secretary's decision to lift it before its originally scheduled expiration date of November 30. The suspension was a necessary measure to ensure that appropriate safety, containment and response mechanisms were in place. As the Secretary explained in his July 12 decision, the proper safeguards were not at that time in place to prevent or respond to another deepwater blowout. The Secretary determined that until adequate measures were put in place, the suspension would remain in effect. He also directed me to gather information about drilling safety, well containment and oil spill response.

In response to this directive, my staff and I conducted an extensive information gathering campaign, including through a series of public meetings held in eight cities across the country over a 45-day period. A total of 61 experts of the academic community, the oil and gas industries, conservation groups, and local businesses provided thoughtful and valuable information about drilling safety, well containment, and oil spill response, as well as other issues related to offshore drilling. BOEM also received hundreds of written comments from the public, and I held many individual meetings with stakeholder groups. We also reviewed a number of reports and other documents that became available during this time.

On the basis of this information, I submitted a report to the Secretary on October 1, which offered an analysis of where we are and recommendations for moving forward.

Our analysis focused on three main points: First, the new safety measures would create additional precautions that reduce the risk of future deepwater drilling. Second, the Deepwater Horizon experience resulted in substantial improvements in industry's and government's knowledge of wild well containment, and available resources and equipment for controlling wild wells. Finally, a significantly greater number of spill response resources that were originally dedicated to the Macondo well spill response are now available should another spill occur.

While our reform agenda is moving fast, our work is far from complete. We will continue to move forward with additional reforms and continue to learn from our colleagues from other countries.

## **THE PATH FORWARD: FUTURE REFORMS**

In the coming weeks and months, BOEM will proceed with the standard rulemaking process for additional safety measures, including additional requirements for Blowout Preventers (BOPs) and remotely operated vehicles (ROVs).

In these rulemakings the Bureau will consider additional workplace safety reforms, strengthening oversight requirements for operators' Safety and Environmental Management System (SEMS) programs.

But we won't stop there. We will continue to analyze information that becomes available, including the findings and recommendations of a number of ongoing investigations into the causes of the BP Deepwater Horizon explosion and resulting oil spill – and we will implement reforms necessary to make offshore oil and gas production safer, smarter and with stronger protections for workers and the environment.

As we move forward, we must ensure that the current momentum for developing state-of-the-art safety and containment technologies continues. The U.S. government is currently exploring ways to partner with industry, academia and the environmental community to develop a rigorous R&D program and ensure that safety and containment technologies keep up to date with drilling advancements. Creating the incentives and the capacity for such ongoing R&D in which the government is a full partner, is one of the key challenges we face.

And here, I want to return to my earlier point about sharing experiences across different international systems. It is critical as we move forward toward safer and more environmentally responsible drilling, that we do it together.

We have already taken positive steps toward international collaboration. For example, in July, BOEM hosted a delegation from Mexico's National Hydrocarbon Commission. We discussed a wide range of topics, from technical data management to production measurement and verification, to regulatory and enforcement programs. Staff also discussed potential consultation on the initial inspection of an ultra-deepwater semisubmersible drilling rig, which is en route to Mexico for operations in ultra-deepwater south of the Perdido Regional Host SPAR located in the U.S. OCS.

A few weeks ago, we hosted a special meeting of the International Regulators Forum in Herndon, Virginia and shared our experiences on drilling safety.

BOEM 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 countries that are expected to become emerging oil and gas producers.

I note that the agenda for this conference includes a discussion of the IRF's plans for addressing regulatory issues. The broad expertise and experience of the IRF's members put this organization in a unique position to provide global leadership in advancing the goal of improved safety of offshore oil and gas activities. I hope the discussion over the next several days will lead to concrete steps that will help all of us achieve that goal.

As we move forward, it is my hope that we can continue to work together in a spirit of cooperation as we work towards safer, more environmentally responsible offshore drilling throughout the world.

Thank you for your time.

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