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BOEMRE Director Promises Bureau Will Remain Aggressive in Enforcing Safety and Environmental Regulations at Meeting of Offshore Industry Representatives

Highlights Need for Cooperative Effort to Restore Public Confidence in Offshore Drilling

Scottsdale, AZ — Today, BOEMRE Director Michael R. Bromwich delivered the keynote address at the National Ocean Industries Association annual meeting in Scottsdale, AZ. Director Bromwich stressed that BOEMRE will remain aggressive in enforcing safety and environmental regulations. He called for cooperation between industry and government to improve the safety of deepwater drilling.

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

Good morning. Thank you very much for inviting me to be with you here today.

As many of you know, I took over the Bureau of Ocean Energy Management, Regulation and Enforcement a little over four months ago. Since that time, I have had the opportunity to meet with many of you in person – and with some of you on multiple occasions. Among the topics I have discussed with you individually and in groups, especially over the past two weeks, is the topic I have been asked to address today – the path forward after Deepwater Horizon.

I think today's event is particularly fitting for such a discussion. In this room are gathered representatives of companies that specialize in a broad range of activities across the spectrum of the oil and gas industry, from drilling to production, from engineering to marine and air transport, from offshore construction to equipment manufacture and supply, and from telecommunications to finance and insurance.

And we all have at least one thing in common: an interest – and a duty– to ensure that offshore drilling in the future will be done in a safe and environmentally responsible manner.

The explosion and sinking of the Deepwater Horizon rig – just over 6 months ago – was a sobering reminder of just what is at stake. The blowout and subsequent fire took the lives of 11 people, injured many others, and spewed millions of barrels of oil into the Gulf of Mexico for close to three months. The oil spill jolted the nation, surprised many who believed that such a spill could not occur, and is an event that will have lasting consequences on the entire Gulf region.

What do we know in the aftermath of the Deepwater Horizon? Multiple investigations are under way to determine the root causes of its failure. And even though the full and final verdicts from those investigations are not yet in, it has become abundantly clear that among the causes were fundamental shortcomings in drilling safety practices. After those shortcomings contributed to the explosions, we self-evidently did not have the means and the know-how to contain a deepwater blowout in a timely and reliable manner – the unforgettable video of oil continuing to flow from the wild well for almost three months bore witness to that. And spill response capabilities were similarly inadequate to clean up the massive quantities of oil before it reached the shore. In other words, industry was not prepared. We as a country were not prepared. For 30 years, while drilling technologies became more sophisticated, safety practices and equipment lagged behind, as did techniques and resources for spill containment and spill response.

That was and is unacceptable – and we at BOEMRE are working very hard to change it. My team and I have been working hard over the past few months to restore public confidence in oil and gas drilling on the OCS. Together with Secretary of the Interior Ken Salazar, we are undertaking the most aggressive and comprehensive reforms of offshore oil and gas regulation and oversight in U.S. history. This includes the comprehensive reorganization of the former Minerals Management Service, as well as the implementation of tougher standards for drilling equipment, safety practices, and environmental safeguards.

Today, I will discuss the major reforms that we have implemented and highlight some areas that require additional work. But before I do that, I want to emphasize what should be obvious -- our work at the Department of the Interior is only part of the solution. The other part involves you. Moving forward, it is imperative that industry and government work together, along with our colleagues in the academic world and other stakeholders, to ensure that safety, containment and response mechanisms catch up with advances in drilling technologies. The road ahead is challenging, but I am confident that together, we can – and will – make offshore drilling safer.

Before discussing some of the specific reforms that are underway, let me begin by highlighting the broad progress that we have made in recent months—progress that informed Secretary Salazar's recent decision to lift the moratorium on deepwater drilling nearly two months ahead of its original schedule.

When the original moratorium was imposed in May, it was a necessary step to give the government and industry time to evaluate the

potential causes of the blowout and spill, and begin to put in place additional safeguards that would drive down the risks of similar spills in the future.

In July, while the moratorium on deepwater drilling was in effect, Secretary Salazar asked me to gather additional information about the state of drilling and workplace safety, containment, and response mechanisms. I conducted eight public forums across the country – six of them in the Gulf of Mexico. Some of you in this room participated as panelists in these forums, and I want to thank you again for your valuable contributions.

A total of 61 experts from the academic community, the oil and gas industries, conservation and environmental groups, and local businesses provided thoughtful and valuable information about drilling and workplace safety, well containment, and oil spill response, as well as other issues related to offshore drilling.

BOEMRE also received hundreds of written comments from the public, and I held dozens of individual meetings with stakeholder groups. We also reviewed a number of reports and other documents that became available during this time.

At the end of an intense 45-day fact-gathering process, I prepared a report to the Secretary that described the advancements that had been made and outlined recommendations on moving forward. The Report concluded that sufficient progress had been made on the constellation of issues that originally supported the moratorium to justify lifting it more than two months ahead of the November 30 expiration date.

What had changed that allowed us to feel comfortable with that decision? First, containment capabilities had improved – industry had developed a number of containment mechanisms intended specifically for use in deepwater. Going forward, we expect further improvements. As you know, the five major oil and gas companies have committed to contributing resources to develop a permanent inventory of containment resources that will be available in the event of future deepwater blowouts.

Second, with the Macondo well permanently plugged, a significantly greater number of spill response resources became available in the event another spill took place.

Finally, and most importantly, we have implemented a number of new rules and regulations, which have become effective immediately.

With that as background, I want to make a few remarks about some of the specific reforms that are underway.

We have raised the bar in the drilling and production stages for equipment, safety, environmental safeguards, and oversight – and we will continue to do so in the coming months as additional information about the causes of the Deepwater Horizon blowout become available.

More specifically, we announced two new rules last month that raise the bar further for the oil and gas industry's safety and environmental practices on the Outer Continental Shelf. One of these rules strengthens requirements for safety equipment; the other improves workplace safety by reducing the risk of human error on drilling rigs and platforms.

The first rule, the Drilling Safety Rule, is an emergency rulemaking that 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 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 Safety and Environmental Management Systems on a voluntary basis, many had not. And our reviews had demonstrated that the percentage of offshore operators that had adopted such programs voluntarily was declining.

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

While we have accomplished quite a bit and our reform agenda is moving fast, our work is far from complete. In the near future, BOEMRE will proceed through the standard rulemaking process to require additional safety measures, including additional requirements for Blowout Preventers (BOPs) and remotely operated vehicles (ROVs).

The Bureau will also consider additional workplace safety reforms through the rulemaking process, including requirements for independent third-party verification of operators' SEMS programs.

But we won't stop there. We will continue to analyze information that becomes available, including the findings and recommendations of the ongoing investigations into the causes of the Deepwater Horizon 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.

We are also taking steps to strengthen BOEMRE's inspections program. Over the coming year, we anticipate adding scores of inspectors and engineers to our staff. Yesterday, I completed a four-day tour of universities in the Gulf region with strong petroleum engineering programs. In the course of four days, we received more than 50 applications from the students at the schools we visited. We are also reaching out to retired engineers with an interest in serving their country. 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.

Finally, we will continue moving forward with the reorganization of the former MMS. In its place, 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 an increased risk of a pro-development bias. This will no longer be the case.

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

To address conflicts of interest, we have also issued a tough 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 the facilities of former employers. Also, going forward, every BOEMRE 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.

Our challenge in the months and years ahead is to ensure that the current momentum for developing state-of-the-art safety, containment, and response capabilities continues. It is imperative that as we move forward toward safer and more environmentally responsible drilling, we do it together. 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 blowout, containment resources are immediately available, regardless of the owner or operator involved. These are goals that we must pursue aggressively.

Going forward, it is my hope that industry and government will continue to cooperate as we forge ahead toward safer, more environmentally responsible drilling in the Outer Continental Shelf.

Thank you for your time and attention.

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