

## **The Future of US Offshore Oil and Natural Gas Development**

Event Summary

**by: Keri Rance and Matthew Ward**

On April 19, 2011, the Energy and National Security Program at CSIS held the eighth installment of the “Impacts of the Gulf Oil Spill Series,” which discussed the future of offshore oil and gas developments in the United States.

The discussion was divided into two parts. The first segment discussed the reorganized offshore regulatory framework and the new requirements for permit approval. The second segment covered the mechanics of safety, research activities, industry safety reforms, and the lessons that could be learned from the nuclear industry’s self-regulation model.

**Michael R. Bromwich**, Director, Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) outlined the extensive work being done to reform the regulatory sector. These reforms include the reorganization of BOEMRE (formerly the Minerals Management Service) as well as active recruitment of regulators and international cooperation.

The reorganization started last October with the transformation of the revenue collection arm of the former MMS into the Office of Natural Resources Revenue. The Office of Natural Resources Revenue is now housed in a separate part of the Department of the Interior and reports through a completely separate chain of command.<sup>1</sup> The next step in the reorganization will split the MMS into two new offices. The Bureau of Ocean Energy Management (BOEM) will be responsible for offshore resource management and the Bureau of Safety Environment Enforcement (BSEE) will be responsible for the enforcement of safety and environmental regulations.

Changes have also been made to the regulations of offshore oil and gas development. In addition to existing safety regulations, applicants must demonstrate the ability to contain a subsea spill. This change was often cited as holding up the permitting process, in effect creating a ‘perditorium’, however, since the moratorium on offshore drilling was lifted in October, 11 new deep water and 49 shallow water permits have been issued.

Bromwich noted that regulations cannot remain static and must continue to adapt to the advancing technology and drilling techniques used by the industry. Moreover, such increases in regulation will require greater financial investments and dedicated development of human capital. Bromwich noted that while the \$47 million that was allocated to BOEMRE in this year’s budget is enough to preserve the most essential functions, more funding is needed for future improvements. To increase the human capacity of the agency, a national training center for inspectors was created and recruiting efforts have increased.

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<sup>1</sup> for more on past changes to BOEMRE, please see 2010 event: Impacts of the Gulf Oil Spill Series, Responsible Stewardship of US Offshore Oil and Natural Gas Development <http://csis.org/event/responsible-stewardship-us-offshore-oil-and-natural-gas-development>

Bromwich concluded by stating his goals for BOEMRE as it moves forward, which include better funding for offshore safety regulators, more sophisticated metrics for measuring risk, improved spill response systems, and the development of common principles and standards to guide worldwide conduct.

### Panel Discussion

**Christopher Smith**, Deputy Assistant Secretary for Oil and Natural Gas with the Office of Fossil Energy at the U.S. Department of Energy, spoke about the technical and human elements involved in safety and spill response. Smith noted that safety management requires both hard data and intuition. The data must be interpreted by a person in real time and decisions must be made based on this information. The concepts of failsafe barriers are counterproductive and must be augmented by response systems that include recognition and utilization of the human element involved.

**Charlie Williams**, Chief Scientist, Well Engineering and Production Technology at Shell, addressed industry response to the disaster highlighting the four industry-led task forces established shortly after the blowout: Offshore Equipment, Offshore Procedures, Subsea Well Control and Containment and Oil Spill Preparedness and Response.<sup>2</sup>

Williams emphasized the importance of continually evolving safety practices. The key moving forward is to continue to develop proper management resourcing in order to address new industry developments as they arise. Mr. Williams also explained specific technical and procedural changes in the industry including increasing boom capacity, the use of band radar to find spills at night, and the use of infrared to measure the thickness of a spill.

**Mike Wallace**, Senior Adviser, CSIS and former Vice Chairman and COO of Constellation, gave an overview of self-regulation in the nuclear industry, and identified trends that could be used by the oil and gas industry to improve safety and oversight. Mr. Wallace identified that engagement at the top level was critical for the development of a robust regulatory framework. The cornerstones of the nuclear safety environment are both cooperation and recognition that the promotion of robust safety standards increases both productivity and efficiency.

**Robin West**, Chairman of the Board, Founder, and CEO of PFC Energy, commented on the importance of balancing “unloving critics” and “uncritical lovers” of the industry in order to maintain equilibrium between production and safety. Mr. West also discussed the benefits of the Safety Case model used in Europe as opposed to the prescriptive model used here in the US. The Safety Case model shifts the responsibility to companies, requiring them to prove their ability to effectively anticipate, prevent and address safety issues, whereas the prescriptive model puts undue burden on regulators who are out matched by the size, resources and expertise of the energy industry.<sup>3</sup>

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<sup>2</sup> For more information see: Impacts of the Gulf Oil Spill Series, Examining the Future of Offshore Exploration: Lessons from Macondo and Efforts to Close the Gaps, October 2010 <http://csis.org/event/understanding-offshore-drilling-perspectives-industry>

<sup>3</sup> For more on the Safety Case Model see: Impacts of the Gulf Oil Spill Series, The International Regulatory Structures for Offshore Exploration <http://csis.org/event/international-regulatory-structures-offshore-exploration>