



**REMARKS FOR BRIGHAM A. MCCOWN DEPUTY ADMINISTRATOR
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
WORKING OUR WAY TO ENERGY INDEPENDENCE
AOPL LEGAL ISSUES AND POLICY ROUNDTABLE
OPENING REMARKS
-- NOVEMBER 29, 2006 --**

Good afternoon, it is truly a pleasure to be here before friends. Ben, thank you for your very kind introduction, and thank you all for inviting me to be here and participate in this wonderful annual event.

I am really delighted to be here again this year and I carry best wishes on behalf of the President, Secretary Peters; and Administrator Barrett, whom you will hear from later.

Through these opportunities, we can better explore the issues which we have in common, including our goals of safely and efficiently delivering the energy supplies our nation needs to power our economy, and provide the high quality of life that all Americans have come to expect.

Regretfully, this is my last official public appearance as a member of the Administration. After three and one-half years of public service at the DOT, both as the First Chief Counsel of Federal Motor Carriers, and as the first COO and Interim CEO of PHMSA, the time has come to return to private life.

During my tenure, I have been fortunate enough to have had the pleasure and honor to expand our partnerships with you, the stakeholders, and in so doing, to promote greater transparency regarding DOT's role in regulating and promoting this important industry. I want to thank you for your foresight and continuous leadership.

Successfully resolving the challenges of today, and preparing for the challenges of tomorrow is a job we have to face head on. Let there be no mistake, the oil and gas industries play a crucial role in our Nation's economy, and the very success of our economy highly depend on these products.

Every year, AOPL, API, and Hunton and Williams do us a great service in assembling this dignified body to ask the tough questions about how we can be well positioned to be safe, effective and profitable into the future, and all while continuing to hold the public's trust.

We have to ask ourselves some difficult questions about what we have become comfortable with in our business operations, and what is the right thing to do to in serving the country and putting us on the best footing for the next generation.

Today and tomorrow, we'll hear from experts regarding the strengths and challenges of our aging infrastructure both from a safety and capacity perspective, projections of future energy demands, impact of differing markets, and competition and rate factors.

We'll debate legislative direction and goals; regulatory directives and other policy initiatives. Furthermore, we'll be inspired about the blueprint for energy infrastructure expansion.

When looking toward the challenges of the future, I am often reminded of the past. During the 18th and 19th centuries, nations and their domestic and foreign policies revolved around coal and other fuels such as oil from marine mammals to provide for their energy and security requirements.

Our sights are set on the future, and one of Secretary's Peters' main goals is to provide 21st century solutions for our transportation challenges ahead. In that context, we must ensure that our energy and transportation models are adaptable to our future needs, and we must ensure that we are well positioned to leverage new technologies, lest we fall victim to complacency, and to the status quo of today, and of 20th century thinking.

While our vision looks toward the future, toward those products like ethanol, biodiesel, hydrogen and other alternative fuels to satisfy our energy demands, we must continue to ensure that we can safely, efficiently, and affordably deliver the energy products of today.

Before we start, I would like to offer three elements of an agenda to use as the underlying foundation for our efforts. The first one involves increasing our safety effectiveness which is essential to doing business for a nation whose citizens and future will have increasingly high expectations for our performance.

Is it really too much of a stretch for each of us to ask if we can become *a model of safety performance*? As a regulator, DOT seeks to be widely recognized by our elected officials, our peers, the public, and the industry as a risk-based, data-driven, forward thinking organization. Likewise, you too are already seeking opportunities to be a model industry. Together we need to increase the transparency of our decision making to foster accountability, dialog with, and responsiveness to all our stakeholders.

Our game plan is simple. We need to promote and recognize *leadership* as a major force in achieving safety, both in ourselves, our partners, and in each of your companies. This means leadership in performance, leadership in innovation, leadership in partnering, and leadership in corporate accountability.

Advancing our ability to collect and apply risk-based information is the driver for PHMSA's safety decisions and it must also be the yardstick for your own safety decisions. We need to know the solutions we build are both responsive to our identified problems and at the same time ensure these decisions are cost-effective.

Increasing our safety effectiveness is a huge job and DOT has learned that we can not do it alone. To accomplish the task, we have leveraged the efforts of others to improve safety through shared responsibility, including support for effective prevention and response programs, especially those related to third-party incidents. Our recent efforts towards reauthorizing the pipeline safety program offer a good example of explaining our positions and seeking input from all stakeholders in helping us attain these goals. We are not there yet, but re-authorization may be close at hand.

On the flip side though, we need to improve safety performance through educating our broadest range of stakeholders the public, who each have a role to play in protecting themselves and improving the safety of their communities. Additionally, our efforts in leveraging new technologies and innovations have helped all of us to dramatically improve safety. The pipeline industry now has better diagnostics, stronger materials, real-time monitoring, and new technologies to find those small leaks and that is a good example of 21st century thinking.

In moving on to the second of these three elements, I ask each of you to embrace the idea that we must work on increasing transportation efficiency by breaking out of the comfortable molds.

The last decade has taught us the benefits of thinking systematically to improve the overall performance of the national network we depend on to move our energy products from coast to coast. As the economy continues to strengthen in the years to come, we are going to see the need to increase capacity and achieve even higher rates of efficiency. Unfortunately, this process cannot be done with just the flip of a switch.

We need to know how to better identify and remove impediments and major chokepoints in the pipeline transportation system. We have to work to align our standards with Canada and other countries for performance and efficiency - - and we know there is nothing like simplicity for pipeline design and cost savings.

Something to also think about is *exploration*. Not in the traditional production sense of the word, but whether we should at least consider *exploring* the establishment of criteria for oil pipelines as we have with gas pipelines in order to expand the capacity of existing infrastructure and new construction to carry more product at a lower cost.

Have we considered *exploring* partnerships with Canadian companies to prepare to transport Canadian oil resources to U.S. refineries and to work together on preparing the workforce for these major projects?

Is it beyond our reach to *explore* opportunities to site new pipelines in transportation corridors whenever there is alignment of need along a corridor in order to reduce permitting timeframes, establish best practices to minimize our impacts to the environment and communities surrounding these current and proposed energy highways, and to do all of this while maximizing our ability to deliver these projects at the lowest cost possible?

We should not be stymied by what has before seemed unthinkable. In Florida, a new gas pipeline is doing just this in conjunction with the expansion of the Florida Turnpike. As the DOT works with States and regional partnerships to plan for highways from the bottom up, as opposed to the traditional top down approach, there should be opportunities out there to plan for the situation of collocated energy highways to support the new markets established by new road highways.

DOT has begun work to help states and local governments build their capacity and prepare for growth and change in the transportation of energy products and hazardous materials. As one of our most important tasks in cooperation with industry, our work with the National Association of State Fire Marshals is a good model to start from to build better model processes at the state and local level to identify concerns with new products and new facilities and to work through them – systematically.

I am certain it was your idea all along to get us involved in streamlining permits for repairs so that one day, we would be ready for streamlining the process for new pipelines. We think it makes sense to build on our “one-stop-shop” concept for permit streamlining repairs and move beyond the pilot stage. We have a good start on a concept that could revolutionize the way agencies plan their work and engage with companies. We feel that what was designed for existing pipelines can also work for new projects to expedite the permit review process by enabling better coordination and communication, and standardize an efficient methodology for permitting.

The third and final element I would like to leave with each of you is increasing the public’s trust in our integrity and performance.

We’ve come such a long way since the turn of the century in our position with the public, including awareness of the pipeline infrastructure, its configuration, managing its integrity and how we are all accountable for its performance. As a regulator and an industry, this is perhaps the area of greatest progress and reform. We have broken the mold in our thinking of what informed citizens need to know, and how they can contribute.

The progress we have made in establishing public relationships is the essential element in removing the uncertainty which inhibits thinking about investing in the pipeline infrastructure and what could be more effective for new growth. The question is how can we work with the public going forward in a way that will be mutually productive and beneficial?

Collectively, we need new processes that identify and meet the needs of states, localities and the public for information on transportation by pipelines so they can meet their environmental, land use, and emergency planning needs.

We'll need to promote transportation solutions which enhance communities and protect the natural and built environment in a way that is both understandable and measurable so the public can see how well new technologies are working.

Together we've reestablished a great basis for preparedness following the recent hurricanes. As we move forward, we need to improve our readiness for rapid recovery, whether from terrorist threats or natural disasters, and examine the relationships we have with the rest of the utility infrastructure, and not limited to electric reliability. No one trusts a system that is not reliable.

Emergencies, whenever and wherever they occur, are local situations. It is imperative for us to continue to work with federal, state, and local emergency response communities to identify their needs for improved capabilities, develop solutions and improve their planning tools and communications capability with us.

Last but not least, we need to improve the transparency of our respective operations through effective public education. In addition, sharing progress with the public on pipeline integrity operations is essential to raising public confidence.

To a great extent, PHMSA's approach to Integrity Management embodies these three approaches. Beyond IMP regulations, I urge each of you to adopt a holistic integrity "type" management approach to the way in which your companies are run by providing a transparent framework that embraces a systems upon systems risk management program, a program which follows the entire energy chain from production to delivery, and one which appropriately balances often competing interests.

Stated another way, safety isn't just a label for a department, office or officer in a company; it must encompass the entire business line, permeate and drive the entire corporate culture, with oversight and accountability from the top down. When this is true, it is evident in how the company operates every day. Aside from ensuring safety, a systems based approach makes good business sense, and at the end of the day has its own rewards. Those who have embraced these values in their own corporate cultures are among the best performing companies.

I'd like to conclude this afternoon by pledging PHMSA's and the Department's continued cooperation in helping you provide safe, efficient, and reliable service to your customers. Day in and day out, you are playing a critically important role in our Nation's economic growth.

We have a great track record of working together to deal with the ordinary and the extraordinary. As we move forward together we will encounter much larger challenges. We challenge you all to step up to the plate, throw your hat in the ring, and be the first to

pave the way in any of these areas, or to make many good suggestions we know will come forward in our program today.

We stand ready and willing to work with you and are proud to be your partners in pipeline safety. We offer our capability to address the public's need for safe pipeline transportation.

Each and every one of us in this room should be proud of what we've accomplished together and I invite you to join PHMSA in creating a framework for building new successes.

Thank you again for inviting me here today.

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