

# **BSEE Director Delivers Remarks at the 2014 National Ocean Industries Association Annual Meeting**

April 9, 2014

Good Morning,

It's a pleasure to be here with you today. I would like to thank Randall Luthi for inviting me. I always value the opportunity to meet with members of the industry and share insights on where I see BSEE going; but just as importantly because it gives me a chance to learn about your perspectives, gather your advice, and ground truth our initiatives with those most directly affected by them. I appreciate the role that NOIA plays in the ongoing dialog between industry and regulators, and I look forward to our continued engagement in the years ahead.

In my view, an effective regulator must remain current on the issues confronting the industry being regulated, so this is, I hope, a mutually beneficial opportunity.

There are numerous topics of interest we could discuss today, all of them worthy of the time we would invest. But given that our time is limited, I thought I would structure my remarks around three key themes, which collectively will provide you with an insight into the direction we are headed within BSEE, and what that means for our working relationship with the industry. So I will focus primarily on

- Safety culture

- Technology Assessment, and
- Communications with the industry.

None of these are stand alone – each influences the other - but they are useful categories for describing our direction.

***Regulatory Update:***

But first, I know many of you are interested in our regulatory agenda, so I will just make a quick mention of the major projects, and we can always pursue them further in the Q&A session....

Currently we are reviewing comments on the Production Safety System Rule, and work continues on the Blowout Preventer Rule and Arctic specific regulations. We expect to publish proposed rules on the latter two, in the coming months. They will be proposed rules, so we would encourage your comments once published.

One characteristic I am happy to say that we are working to build into our rules is greater reliance on performance based criteria – to allow for new technologies to be developed in the future without requiring deviations from the regs. We would be particularly interested in your comments in that area as some of these new proposals hit the street.

Along those lines, one of the most commented upon aspects of the Production safety rule was BAST.... which I would guess does not come as too much of a surprise to you. There is a lot of uncertainty as to what BSEE means by BAST, and how it would affect the industry, particularly if were applied in a very prescriptive way, and what effect that might have on capital investments already made.

In my view, BAST is a term in search of a definition. The language in the proposed rule really serves as something of a placeholder, reflecting earlier legislative language which had been on the books for years. Nevertheless, it will require a focused effort to create a working understanding of how to approach BAST - an effort which BSEE has already commenced in consultation with the industry, including such groups as API, the National Academies of Science, and the newly established OESI at Texas A&M. This work is ongoing, separate from the production safety rule. Our intent is to remain very transparent, and very open to thoughtful input on how to define BAST concepts and process.

One thing I am fully aware of is that your industry values clarity, consistency and predictability from the regulator.

So in that spirit, let me share as clearly and as openly as I can where we see the Bureau headed.

And I will start with Safety Culture...

### ***Safety Culture:***

This is, of course, something that has been on all of our radar screens for several years. We all know that in the quest for safety, Regulations – while important - will only get you so far. If we really want safety, we have to do more. We have to foster a culture of safety among all involved in offshore operations so that it becomes part of the way business is conducted.

That of course is the underlying philosophy behind SEMS.

Most people I talk to believe SEMS was a step in the right direction. Although some would say we have not gone far enough, that we should adopt more of a safety case system altogether. Suffice it to say, SEMS will continue to evolve. But for various reasons, we have settled on a hybrid approach – a bed rock of regulations, supplemented with SEMS, which borrows from well established safety management principles.

We recently completed the first round of audits, and to be frank, it was a mixed bag. In some situations the audit information was limited; there were few insights into how effectively an individual company used its SEMS process to identify and correct problems. In effect, an audit report which contains a generic checklist that indicates that everything is perfect and does not contain observations or identify areas for

improvement does not provide a lot of insight into the general health of the program or the rigor of the audit.

So what to make of this?

Well, as said, this was the first round of audits, under SEMS I. SEMS II built in some improvements to the audit process, which could yield better results in the future.

Ultimately, I think there is simply a reluctance to be too forthcoming with information due to fears about liabilities or perhaps, worries that it might invite increased scrutiny by the regulator. But the net result is that after the first round of audits we have limited information that will allow us to establish a baseline to measure improvement in subsequent years. So that part is frustrating. However, the process itself, nevertheless points the way to several improvements.

Clearly, we have to instill confidence in how information derived from this process would be used; and to build in the protections and generate the confidence that honesty will not be self-defeating. These are necessary if we want greater detail, and wish to receive useful information on the overall adoption of a safety culture.

I would like to drive towards a system whereby full disclosure of how a company handles safety problems would result in an increase in confidence by the regulator,

confidence that comes from demonstrating that the company acts quickly to correct problems and rewards workers for caring about safe operations.

This would also require some corresponding adjustments in the way BSEE inspects and ensures compliance. For example, if an inspector detects a deficiency, but also can see that it is being addressed under a company's SEMS plan, then perhaps there ought not be an INC issued. I would like to incentivize good behavior, and so have asked my staff to see how this could be better put into practice.

But as we look at the audits, and how companies have approached SEMS overall, what is becoming clearer is that we also need to embark on a deeper understanding of risk. Risk is certainly addressed in SEMS, but often in a job safety analysis which focuses on preventing slips, trips and falls, or accidental pollution. It does not necessarily focus on system risk, or process risk, which could result in catastrophic results if barriers to major risk events are not maintained.

I am sure you are all aware of the concepts here. The most common formulation is the risk bow-tie approach, by which risk events are identified, as are the preventative barriers on the left side of the bow tie and mitigation barriers on the right, or post event side, of the risk event. Many of you may already be using these concepts in your individual companies. I have asked my staff to explore how we can adopt similar risk methodologies in SEMS, as well as reflect it in an overall approach to risk based inspections.

So there are frustrations and opportunities with safety culture, and as we move forward I hope to get ideas from industry on how best to achieve common safety goals. In fact, we are making plans to host a risk forum in the near future, in conjunction with OESI, to help formulate a way ahead.

Also along these lines, it is fair to say that we don't know what we don't know. There is a lot of risk information that would be broadly beneficial – to industry as well as government- if we could only tap into it. And to approach this somewhat elusive source of information, we are creating a “near miss” reporting system ( or if you prefer the George Carlin definition – a “near hit”). The idea has been used quite successfully by the FAA and the aviation industry to improve airline safety. It provides anonymity to the reporting source, protection from FOIA, in fact there are substantial penalties under the law for anyone who breaks these protections. The results have been very positive in aviation, and I believe we can achieve the same degree of success for the offshore industry. So we are now working in conjunction with BTS for this purpose. Once the system is established, BTS will be the receiver of all reports, and provide trend analysis. BSEE and the public will only receive aggregated data and analysis, which will help us identify leading and lagging indicators. We are planning to hold workshops in the near future to gather input on how best to structure the system, including which types of information would be most useful for the analysis of safety trends. We are also working with COS to see if

there are any ways we can cooperate in generating information which would be broadly beneficial to the industry.

Now, even as we talk about making improvements to SEMS and advancing the safety culture, the sad fact remains there are some who still don't "get it."

We have responded to a number of incidents over the past year or so where lives have been lost, workers have been injured, the environment has been polluted, due to a failure to follow basic safety practices. Safety Culture is still very much company specific at this point.

One of the major disconnects is between operators and contractors. Many contractors are simply not familiar with safety procedures on a facility, nor is the operator making much of an effort to ensure safety consistency. This has had some horrifying results, and remains an area of concern for us as we consider the future of the SEMS program.

So my message on safety culture is that we are on the right track, but we are not there yet. And we will be looking for ideas on how to advance safety. In this I believe we have common ground. As we all have seen, a major disaster offshore is bad for the entire industry. If we can forestall such catastrophes from occurring through increased awareness and sharing of safety information, wouldn't we all be better off?



## ***Technology***

Let me shift to the other topic areas I promised I would mention: technology and communications – and these will go faster than safety.

Regarding technology, I believe BSEE needs to become more “leading edge.”

Your industry is incredibly innovative, and always seeking ways to solve increasingly complex and difficult technical challenges. Regulators are always seeking to keep pace, but the pace is set by the industry.

Part of how we keep pace is related to workforce management – specifically: technical talent...

One of my challenges is that I am competing for technical talent with you, and quite honestly, I cannot compete on a salary basis. I am appealing to other motivations, such as a desire for public service. This will not attract everyone, but it does speak to quite a few, including young people coming out of college and veterans. We offer training in technical and other skills, and we believe offer a satisfying work experience – albeit at salaries less competitive than within industry. Admittedly some of our people do move on to industry. Which is a loss to us, but in many ways is beneficial to the industry, because, when they do that, they bring with them an

understanding of what the regulator is looking to accomplish. It de-mystifies the process.

In like fashion, we are also interested in bringing into BSEE experts from industry, who may have years of experience and technical know-how; who are not quite ready to retire and who are interested in “giving back.” One member of my staff says we should strive to be the “best first and last job in an offshore professional career,” which is not a bad way to phrase it. The point is, industry talent is an essential ingredient for us to build and retain out technological awareness.

Along with maintaining a critical mass of talented people, we have to look at the right processes for interpreting and assessing the technologies that are presented to us for consideration and approval. We have good people in BSEE, but it is a thin bench and widely distributed. I have asked my staff to consider how we might enhance our capabilities and capacity on an organizational basis, to strengthen our participation with standards setting organizations, and take full advantage of the opportunities to engage in R&D in conjunction with the OESI. To be fair, the BSEE staff has already done a great deal of work on this, and I am proud of the efforts we have made to tighten our own internal processes. But I believe we can do more. There will be more on this in the months ahead, but I share it with you to let you know it is a priority of mine.

### ***Communications***

And finally, just a few words about communications, or perhaps a better way to phrase it would be: transparency.

The most obvious dimension of this, is what we are doing right here, perhaps more so in the Q&A when I will get to hear what is on your mind. More formally, NOIA and other industry groups are an important source of advice and information on industry concerns and I assure you that we do listen. I cannot always promise that we will always agree, but we will always listen.

But to turn this around, what should you expect from us? I acknowledged up front that my take away from industry discussions has been a strong desire for clarity, consistency and predictability. I find these expectations eminently reasonable. Which is why I have asked the BSEE staff to do a few things which will enhance transparency, put more information in your hands, and provide clarity as to our intentions.

One such area is permitting.

Over the past two years, average permit times ( for all types) have steadily decreased from 71 days (in 2011) to 59 days in 2013.

That provides some measure of expectation. But I want to assure you that we are not satisfied that we are providing the necessary clarity in this process. It is difficult

for me to measure, for example, how long a permit is sitting idle while in BSEE's hands, or how much time BSEE is awaiting additional information in order to proceed. Also, if there are common omissions in an application submission which result in delays in processing, I would like to identify those to enable more complete submissions up front, so the process doesn't take longer than it needs to.

To aid in this is *e-well*, which many of you are familiar with, but will over the next few years evolve into *e-permits*. A more complete web based application process which will contain the analytical tools which will be helpful to BSEE and to industry in enhancing transparency of the process and eliminating wasted time.

As I mentioned, a lot of what I am speaking about today is inter-related, regardless of what category I placed them in for the purposes of my remarks. That is certainly true of safety information. I mentioned earlier that we are looking at better information through SEMS, through a focus on risk, from Near Miss reporting and so forth. Along with that goes an obligation to share. My goal is for BSEE to be the authoritative source of overall safety information on the OCS, and that we use that information to continually refine our safety focus, and to work with you in preventing catastrophic incidents.

With that, I want to thank you for your time today, and I would be happy to take your questions.