

BSEE Director Delivers Remarks at the Second Annual Center for Offshore Safety Forum

April 10, 2014

Good Morning,

It's a pleasure to be here with you today, and to share the stage with Rear Admiral Servidio.

I would like to thank Charlie Williams for inviting me to talk with you about offshore safety.

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. This is especially true of COS, because your very purpose so closely aligns with BSEE's safety goals. So I value every opportunity we have to share ideas, and even better, to collaborate on improving offshore safety.

We recently marked the two-year anniversary of BSEE, and are closing in on the one-year anniversary of the SEMS II rule.

These milestones are an appropriate time for reflection. While I am proud of the work we are doing to improve safety on the OCS, we have not put ourselves out of business yet – there are still significant gaps and we are still having too many incidents that are endangering the lives of workers and the environment.

These incidents are telling us that there are still challenges out there that we all must address if we are going to have a true culture of safety.

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 well as

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

Most of the time when we talk about safety, we focus on the human part of it – and this is appropriate. Human beings represent the greatest variability in how risk is identified and managed. But there are also some technological aspects to safety and risk management that also deserve of our attention. Understanding new technologies and their limits, as well as how people interact with them, is a constant and increasingly complex challenge.

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 a satisfying work experience – albeit at salaries less competitive than within industry. Admittedly some of our employees do go 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 our 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.

Federal Consistency

Finally, I want to say a few words about consistency in the federal governments approach to safety management – and specifically consistency between BSEE and the Coast Guard.

This is something RDML Servidio and I are passionate about – we want greater consistency, and clarity in our approach to safety management – we don't want to put you in the position of having to adjudicate between two regulators. For that reason, a lot of time and effort has gone into harmonizing our respective approaches to safety management, so that they are at least compatible.

Last year we signed a Memorandum of Agreement with the Coast Guard that was specific to safety management systems.

Our commitment to you is that we will continue to refine our approach, so that you have clear goals. And as we tackle ongoing topics such as consistency between operators and contractors, our need for collaboration will only grow. We already

have the problem of contractors working for multiple operators, with multiple SEMS plans. But considering that many contractors are themselves operating vessels, then the need for coordination with the Coast Guard is even more of an imperative.

Thank you for your time today.

I am now honored to turn the microphone over to Rear Admiral Joe Servidio.