

Center for Offshore Safety Annual Forum

Good afternoon, it is great to be here with all of you for the Center for Offshore Safety's 3rd Annual Safety Forum. I would like to thank the Center for hosting this forum and for inviting me to be a part of it. I would also like to thank Charlie Williams for his leadership in the Center for Offshore Safety (COS) and for all he is doing to improve offshore safety.

BSEE Annual report

I particularly enjoy visiting with the COS members because we share a lot of common ground and common concerns. We are each committed to improving industry safety performance, while at the same time sharing an interest in efficient production of energy resources.

We all share an interest in understanding the landscape, and the trends that help define it.

This past May, we issued our first Annual Report that included statistics about fatalities, injuries, losses of well control, and other safety incidents. Our data represents all reportable incidents that occur anywhere on the U.S. Outer Continental Shelf. Those numbers tell a story.

Overall: fatalities have declined – which of course was very welcome. However, injuries, lifting incidents, and losses of well control have all stayed at pre-*Deepwater Horizon* levels or in some cases increased. Even in the moratorium years of 2010 and 2011 there were a significant number of incidents on the shelf.

Our interest, and I am sure your interest, is in bringing these numbers down. But what we are seeing is that... while some things have improved, we still have a lot of work to do.

COS Annual Report

COS, too, casts a watchful eye on emerging trends. As you know, COS released its own report about a month prior to the release of the BSEE report. The fact that these two reports were issued at roughly the same time provides a useful opportunity to compare what we are each seeing, and to explore the underlying reasons for the commonalities, or for any differences, in our conclusions.

One notable difference between the two reports is that COS found “no fatalities or loss of well control incidents were reported by COS participating members in 2013.” In contrast, the BSEE report indicated three fatalities and eight loss of well control incidents on the OCS in 2013. So, what accounts for such a difference?

The answer is really quite simple. It lies in the sample size. The COS report reflects the performance of its member companies. It likewise reflects the fact the COS member companies are - by and large - committed to safe operations, and therefore, it's not surprising that as a discrete subset of industry, their performance would be better.

The BSEE report, on the other hand, considers all operators on the OCS, some of whom have not made the same commitment to safety as the typical COS member.

It also speaks to a challenge for all of us as we go forward: how do we encourage a more widespread adoption of safety principles by the industry at large, and thereby reduce the performance gap?

To take it a step further, there are still areas in each of our reports which demand additional focus, even among the high performers. The most prominent area is lifting.

BSEE data shows that the number of lifting incidents per facility has actually increased in the past six years. COS reports a smaller number of incidents, for the reasons already described, but nevertheless points to this as an area of concern.

Now, most of what we included in the BSEE report is derived from lagging indicators. By that I mean they are a reflection of what we see when we inspect, and what we find in terms of root cause when we investigate incidents. So part of our way ahead is centered on improving safety awareness, and that means getting better at collecting and sharing predictive information, also known as leading indicators.

COS has been doing a lot of work in this area, such as in the development of safety performance indicators.

Additionally, we could do a better job of collecting near-miss information as a valuable source of leading indicators. Many of you already do this and, if you are, you have gleaned a lot of useful information that has improved system reliability, work processes and human factors within your companies. In fact, what many of you have told me is that you actually learn more from near miss events. After all, they occur with greater frequency and if studied properly can yield significant safety improvements – all this without expense and liability of actual incidents.

One of the gaps we face in this regard is that we have not had a central database to support this need. Data, where it exists, tends to remain within company silos, where it's potential to contribute towards system-wide improvements remains unrealized.

That, quite simply, is why we have established SafeOCS, which is a database of confidential near miss information. Once populated, it will help us understand system-wide tendencies or characteristics that contribute to high risk situations. SafeOCS helps reduce the frequency of incidents. This system is voluntary, the quality of information it can provide is dependent on what goes in, so I ask you to consider using the system. Again it is completely confidential. It is not an enforcement tool in any way, shape or form. BSEE will never even see the reporting source, just the aggregated information that will be publicly available.

When we look closely at offshore incidents, what typically emerges is a variety of human factors.

Safety and Environmental Management Systems (SEMS)

Even though we spend a lot of time working to refine regulations, about which I will say more in just a minute, we cannot regulate human work patterns and we can't pass a regulation against someone simply having a bad day. That's where on-scene awareness, safe procedures

throughout the organization, and individual skill levels come to bear. It is fundamentally what SEMS is all about.

SEMS was a step in the right direction. It is performance-based and meant to be tailored to individual company operations. Even so, we are not yet where we need to be. We need to take SEMS to the next level where we can address concerns as:

- a more meaningful interface between an operator and it's contractors,
- more useful audits that will contribute towards continual improvement,
- an approach that looks at safety at the personal level and the system level, and
- emerging and growing safety concerns related to our dependence on information technology systems. Cyber Safety!

With SEMS, I am again grateful for the role that COS plays, not only in continuously advocating for a focus on the human element, but also for their role as a certifying body for audit service providers. This is a significant step in improving audit quality and consistency.

SEMS is, of course, described in a regulation and, potentially, the regulation can be improved. However, we have not decided to initiate another rulemaking – a SEMS III - if you will. Although there are next steps that need to be taken, there may be non-regulatory ways to get there. Along these lines, we have been engaged with American Petroleum Institute as they pursue updating of Recommended Practice 75; we have also been working with the Ocean Energy Safety Institute, which held a workshop early in the summer on this topic.

International Regulator's Forum

To dig into this a little deeper, we have made risk management the focus of the International Regulators Forum Offshore Safety Conference, which BSEE is hosting in Washington, D.C. on October 19th and 20th.

The conference is titled ["From Desktop to Deck Plate: A Holistic Approach to Risk Management"](#) and will address the difficulties in moving safety from concepts discussed in the boardroom to effective implementation out in the field.

Obviously our interest is in the offshore industry; however, we felt there would also be a lot of value in learning from, and perhaps even benchmarking against, other industries as they also pursue a practical safety culture. We will hear from a variety of thought leaders from various perspectives, which will help us as we seek to advance offshore safety.

So if you haven't signed up for this conference, I would encourage you to do so!

Risk-Based Inspections

Ultimately, a strong commitment to SEMS should result in the kind of high performance we are all interested in seeing across the board. It will also factor into our plans for a risk-based approach to our inspection program. In effect, we intend to focus more time and attention on facilities or on operators where there is a greater combination of risk factors.

This will be partly a function of past performance, combined with complexity of operations, and an assessment of a company's commitment to SEMS methodologies. We are working to rollout a pilot later this fall to test its usefulness. We are hopeful that this kind of an approach may help incentivize a serious commitment to SEMS.

Proposed Regulations

I want to shift gears for moment, and then I'll wrap up.

As you all know, we have proposed a few regulations that are very significant for the industry. The [Well Control Rule](#), and the [Arctic Drilling Rule](#) clearly have the greatest potential impact, along with one that has been out there for about two years now – the [Production Safety Rule](#). I am sure many of you have commented on them.

Like all proposals, we are working to improve the text in each of these proposals based upon comments received from the affected industry, as well as members of the public. One common theme from the industry has been the need for more performance-based language. Our regulatory teams are looking at how best to do that.

In contrast, many public commenters urge even tighter requirements. The Arctic rule in particular produced a very high volume of comments. We received over 100,000 comments on that rule alone.

We have fewer comments for the well control rule, but they are technically more complex. Because of their detailed technical nature, we took the opportunity to meet with a number of companies and associations last week to clarify their comments in such areas as drilling margins, blowout preventer inspections, real-time mentoring, and accumulator capacity. Although it is too early to say how the rule may change, I want to assure you that we are reviewing each of these comments very carefully and that we are taking your concerns on the rule very seriously.

At the same time, I want to underscore the importance of completing a rule that raises the bar for well control safety.

The rule certainly must make sense to industry. It also has to make sense to the public, and demonstrate that there is a baseline regulation that provides assurance that industry is being held to a higher standard than before the 2010 Macondo blowout and spill. Our sense of urgency is underscored by the numbers I shared with you at the outset; we are still seeing losses of well control, and some are quite serious. So yes, we will work hard to get the regulations right, but you should know that it is a high priority to get them over the finish line.

Summary

We touched a number of topics, from assessing safety performance to considerations on how we might improve in the future. All the while I am mindful, as I know you all are, that the industry is going through some tough times right now. I've been around long enough to have seen how such a downturn can affect safety. Typically it has a lagging effect - it takes a while,

but it does happen. If I have a worry at this time, it is that we will start to see a slip in safety performance, and that we will lose ground. I know that the best companies are determined to not let tough economic times degrade their safety programs. But the jury is still out on how widespread this commitment is. I ask for your commitment to keep safety foremost as we weather the downturn.